

# Principle of Commerce XI Notes Karachi Board of Intermediate Education

## Commerce and Its Scope

### Scope of Commerce

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Commerce means the process of distribution of goods which means removal of goods from a place where they are produce and found in abundant to a place where they are scare and hence in demand. It is a vast and complex organism and embraces all the functions involved in the buying and selling of goods. It is rightly said that commerce is the life blood of a nation. A nation economic prosperity is entirely dependent upon the development in the field of commerce. The most obvious effect of the development as said before has been the availability of such goods to a community which, out of necessity are produce elsewhere.

Some of the definitions of commerce is reproduced below;

“The term commerce embodies all the operations connected with the act of exchange goods and services”

“In the widest sense the term commerce is applied to all these activities or functions which are intended to bring about an exchange of goods and services against money or money’s worth. It covers trade as well as the aids to trade, such as banking, insurance and transport.”

“Commerce comprises a group of specialized activities which together form an essential part of the process of production. It links the suppliers and the consumers by means of trade and activities auxiliary to trade such as banking, insurance and transport and warehousing.”

It is now made clear that commerce is basically concerned with the production and distribution of goods. Under commerce we study those activities which help produce goods and services and their distribution. In the chain of productivity the first in the line is the extractors or cultivators and the last link is the consumers. To elaborate this statement it can be said that extractive activities related to raising from the soil or obtain from beneath earth various form of wealth. Manufacturing consists of activities which are concerned with the working up of the raw material from the

extractive industry into finished products. The commercial and distributive group includes all those people who are concerned with the transfer of raw material from the producer to consumers. It consists of this entire person who is engaged in the distribution of goods such as railways, banks, insurance companies, brokers, wholesalers, retailers, etc.

Thus it can be fairly said that commerce is the sum of total of all the activities beginning from the place of production and ending at the retailer's shop from where the consumer purchases his goods.

## Divisions of Commerce

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Commerce is divided into trades and auxiliaries of trade. Trade simply means selling and buying of goods. A mediation of the exchange of goods between the producer and the consumer is called trade. Trade is of two kind Home trade and foreign trade. The trade which is done with in the country is called home trade. The trade which is done between two countries is called foreign trade. Auxiliaries to trade mean aids to trade. It includes the following services; banking, insurance, warehousing and agents.

### **BANKING:**

Banking business not only provides the facility of advancing the loans but also provides the facilities of transferring the money from one country to another. Foreign trade is impossible with out the services of the bank. Bank provide loan and thus advance means by which capital is transferred from those who can not profitable use it to those who can use it more productively for the benefits of society as a whole.

### **INSURANCE COMPANY:**

At the present stage of business development every capitalist does not invest capital in large amount without any security from loss. Insurance company come forward and takes the risk enabling the business man to run the business without any hesitation.

### **TRANSPORTS:**

Transportation services are considered as a backbone for the development of the trade. Highly developed transport system is very necessary for the commercial development of the country. Transport performs the entire work of assembling and distributing of goods. It adds place utility to producer things. It helps widen the market for the commodity. It services the purpose of. Commerce to large extends. i.e. in getting the greater satisfaction by using product of greater diversity of choice at reasonable prices.

### **WARE HOUSING:**

Business man needs some place to store his goods. If he cannot afford his own godown than he hires the go-down i.e. he obtains the service of ware house to store his good in bulk or small quantity.

### **MERCANTILE AGENTS:**

They are those middle men who create links between the producer and the wholesaler. They take the goods from producer on their behalf and sell the goods to the wholesalers.

## **Difference between Commerce and Trade, Commerce and Industry, Commerce and Business**

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Business is a wide term and it includes all the activities carried out for mutual gain or profit and where exchange of something valuable (goods or services) takes place. Business activities may be classified as:

- 1) Commerce
- 2) Industry
- 3) Service.

Industry involves the production of goods and materials. Commerce deals with their distribution. As far services doctors, teachers. Fisherman's, weavers, they are all businessmen since they sell their services. Hence an agency through which business is regularly conducted may be an industrial enterprise, commercial unit or a service establishment.

## **COMMERCE:**

Commerce is the branch of business. It is the aggregate of all the activities which take place between the producer and the consumers. All these occupations which affect the exchange of goods and services between producers and consumers stand within the scope of commerce. It embraces all those functions which are essential for maintaining a free and uninterrupted flow of goods and services between those who produce and those who consume. It includes trade as well as auxiliary to trade.

## **TRADE;**

Trade stand within the scope of commerce. It is concerned with buying and selling of goods. It fulfills the aims of productions which is consumption. It is a mean to exchange things we do not need for things which we need. Trade can be of two types.

- 1) Foreign or international trade.
- 2) Home or internal trade.

Foreign trade means trade with foreign countries. Such a trade is carried out on a whole sale basis. It can be classified as follow.

- a) import trade: buying goods from suppliers in other countries.
- b) Export trade: selling of goods to purchasers in other countries.

The trade which is done with in the country is called home trade. It can be conducted on one of the following basis;

- a) Whole sale trade
- b) Retail trade

A whole sale merchant deals in large quantity but limited variety of goods. A retail merchant on the other hand deals in small quantity of large variety of goods.

## **INDUSTRY:**

The term industry refers to the productive aspects of business. It creates “Form Utility’ for the satisfaction of human wants and hence play and important role. Industry may be classified into following ways.

- a) Extractive Industries: In which goods are extracted or raised from the soil, air, or water.
- b) Genetic Industries: they involve reproducing or multiplying certain species of plant and animals as in the case of agriculture, cattle breeding etc.
- c) Manufacturing Industries: which are considered with the transformation of the raw material or semi manufactured goods into finished products creating “form utility” as in case of spinning and weaving textiles from cotton.
- d) Construction industries; which include construction of buildings, roads, bridge, dams, canals etc.

## Commencement of New Business

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***Q: What is the important consideration for the commencement of new business? OR What are the important points a business will consider first before the starting of new business?***

### **INTRODUCTION;**

There was a time when any body thought of setting up a shop to earn could launch upon the said enterprise with fair expectations of success. But those comfortable days have sunk into the yawning gulf of the time. In modern times of over crowded business, business has become a very risky game and those who are engage in it have to take utmost precautions and care at every step. This is more so at the time of commencement of a new business.

### **FUNDAMENTAL CONSIDERATION IN STARTING A BUSINESS;**

Before starting a business a plan and a systematic study should be made of various preliminary considerations upon which depends the success or failure of business. The various considerations which must be carefully thought over before starting a business are discussed below.

#### **1. KIND OF BUSINESS;**

The first thing which man is extending to enter into a business has to consider is the kind of the business he should take up. There are so many classes and sub classes

of business. And to pick up the best and most profitable line out them requires considerable knowledge, experience and for sight. The criteria determining the suitability or otherwise of a business are several. They are profit yielding capacity, the degree of risk involved. The extent of skill and knowledge and finally the personnel taste of a person.

## **2. FORMS OF BUSINESS ORGANIZATION;**

Once the actual business to be launched upon is decided the next logical question coming up for consideration is the form of business establishment is to take. In other words it has to be settled whether it is to be one man's business or partnership or joint stock company. Hence a business should be given a form which is most suited to it from all angle of vision.

## **3. ESTIMATION OF PROFITABILITY OF BUSINESS:**

Next stage is to estimate the profitability of the business which the product and service which are going to be sold will give.

## **4. SIZE OF BUSINESS:**

There are three types of business, viz, manufacturing, non-manufacturing and services. All the three kinds may be large, medium or small. The size of business depends upon the resources which a business man is going to invest. So the business man will consider what size of business he should start and how much he should invest so that he can earn profit according to his requirements.

## **5. FINANCE:**

Financial consideration is very important before starting a business. Unless sufficient funds are not arranged it would not be possible to operate the business. The funds or capital can be arranged by the owner himself or credit.

## **6. KNOWLEDGE OF THE MARKET:**

The knowledge of the market available for the particular product is necessary part for the business man to know. Before starting a business he should have information

regarding the target customers, income patterns, buying habits and tastes, numbers of competitors etc.

**7. LOCATION:** Another worth considering factor is the location. If it is manufacturing business one must consider the availability of raw material, skilled labor, transportation etc. and if it is a retail business then factors like nearest to market, sale promotional devices come under consideration.

#### **8. ORGANIZATION AND MANAGEMENT:**

The managerial and organizing capacities must be considered very carefully. Large business has huge complicated managerial problems. So skilled and qualified employer must be hired.

#### **9. GOVERNMENT POLICIES:**

The government has formulated some rules and regulations for the particular type of business, to regulate the activities of the business. So the government policies should be considered. After establishment, income, tax, sales tax etc. must also be considered.

#### **10. STAFF OF THE OFFICE:**

The business may require the service of some clerk; salesman etc. special care should be bestowed on engaging the staff. Efficiency should never be sacrificed for cheapness. The sound course is to make correct salaries in proper proportion.

#### **11. OFFICE EQUIPMENT;**

Every business has to maintain an office. In these days of rapid development, stationery type writers, duplicating machines etc. must be provided, so that the business process are more quick and efficiently carried out.

#### **12. BUSINESS ETHICS OR MORAL:**

Morally in business as anywhere else has distinct role to play in the shaping of successful business career. Business ethics is more important because it shapes sound. Economic policy, honest cost accounting sounds credit arrangement.

## TYPES OF ORGANIZATION

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1) Sole Proprietorship

2) Partnership

## SOLE PROPRIETORSHIP

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It is the form of business organization in which an individual introduces his own capital, uses his own skills and intelligence in the management of its affairs and is solely responsible for the result of its operations. He may run the business alone or obtain assistance of employees. It is the easiest to form and is also the simplest in organization. The sole proprietor may borrow or use other people's money in doing his business.

The individual proprietor is the supreme judge of all matters pertaining to his business, subject only to the general laws of the land and to such special legislation a may effect his particular business.

## ADVANTAGES OF SOLE PROPRIETORSHIP

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### **1. EASY TO START:**

The formation of sole proprietorship is quite easy than partnership and joint stock company. There are no legal formalities for the starting this business, like agreement, memorandum of association, or articles of associations.

### **2. EASY TO DISSOLVE:**

It is easy to dissolve because the sole trader is not required to take permission for the dissolution either from share holder in the general meeting as in the case of joint stock companies or consult all the partners in the case of partnership.

### **3. FREEDOM OF ACTION:**



A sole trader has maximum freedom to take decision at his own end. His decision is final he may expand his business by adding new products or can discontinue old ones. He can wind up his business or he can change his business place from one place to another.

#### **4. FREEDOM OF GOVERNMENT CONTROL:**

He is free from government control to a great extent than any other form of organization. A sole trader is not required to send his periodical balance sheet to the government.

#### **5. OWNERS OF ALL PROFIT:**

No other organization permits to retain cent percent profit they earn. But in sole proprietorship the sole trader is the master of his business and is entitled to retain the entire profit of the business.

#### **6. LOW TAXES:**

He has to pay minimum income tax and other taxes than in partnership and Joint Stock Company. In this manner he saves much out of his profit.

#### **7. SECRECY:**

Secrecy is base of a business and it should not be disclosed. Success of business depends upon secrecy. A sole trader can maintain secrets of his business but it is not possible to keep secret in partnership or Joint Stock Company.

#### **8. LOW COST ORGANIZATION:**

A sole trader is not required to pay registration fees as paid by stock company and legal fees in the formation of partnership.

#### **9. FULL CONTROL:**

He has got full control over his planning. Nobody is there to interfere in his business.

#### **10. IMMEDIATE ACTION AND QUICK DECISION:**

In business it becomes very essential to take decision on particular times and for that purpose immediate action is required. Sole trader can take immediate action and decision but in partnership and joint stock companies actions cannot be taken without permission of owners and meetings should be called for this purpose. In this way business cannot take proper advantage of time.

#### **11. FLEXIBILITY OF ORGANIZATION:**

If any change in business is called for the sole proprietor has a right to bring about the change. A good number of giant sized concerns fall on account of their inability to change their policies promptly with a change in situation.

#### **12. SOCIAL DIS-LIABILITIES:**

From the social point of view

- i) Continuity of individual proprietorship ensures that too much wealth does not get concentrated in a few hands.
- ii) The unlimited liability ensures sufficient responsibilities to the society.
- iii) It brings into full play the qualities of self confidence, diligence and tact among business people.
- iv) The growing number of sole proprietorships firms contributes to the commercial development of the country.

#### **13. PERSONAL INCENTIVES:**

A man in business for himself has everything to lose if his efforts are not successful to earn profits. This fact makes him willing to devote maximum time, thought and energy to the successful prosecution of the activities of business he has organized.

#### **14. CREDIT WORTHINESS:**

Sole proprietor's liabilities are unlimited as the creditor can even recover his amount from the personal belongings of the trader. Therefore this fact makes a sole proprietor credit worthy.

## DISADVANTAGES OF SOLE PROPRIETORSHIP

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The sole proprietorship has some disadvantages which are as follows:

### **1. LIMITED FINANCE:**

The sole proprietorship can face financial problems. He can depend only his own resources. It is neither safe nor easy for him to borrow large amount of money from banks or other financial institutions.

### **2. DIFFICULTIES IN MANAGEMENT:**

Each individual has particular attitude or ability in particular respects. Modern business is full of complications arising especially from the changing nature of market and the various laws that are being enacted. An individual may not be expert in all matters. Therefore sometimes his decision may be unbalanced and would lead to the failure of the business.

### **3. LIMITED SPAN OF SUPERVISION:**

A sole proprietor however qualified and clever will find it hard to supervise the work of his subordinates beyond a certain limit e.g. in case of large general store owned by single person, it will be difficult for the owner to keep an eye on all the departments and employees and to ensure that the customers are treated nicely. The problems will be more acute if store has its branches in other places.

### **4. LIMITATION ON SIZE:**

Because of limitation of finance, managerial skills and span of supervision a sole proprietor has to manage the size of the business up to a certain limit. This deprives the firm of the opportunity of reaping the economic of large scale production.

## **5. UNLIMITED LIABILITY:**

He has great risks. It is true that he receives all the profits of the business but likewise he has to face the entire losses. Not only the assets of the business but also his private assets will be used to pay off the firm's debts and losses. Unlimited liability also discourages the expansion of business.

## **6. LACK OF CONTINUITY:**

Any personal problem or illness which is affecting the sole proprietor has direct effect on his business. It ends with the retirement, death or bankrupt of the owner. If the business is rendering useful services to the society the closure of such a business will be social loss. Similarly with the death of the proprietor, the business may pass on to his successors who may not possess the same degree of self-reliance, ability and intelligence.

## **7. EASE OF FORMATION:**

The very ease and cheapness of entering business as a proprietor may be disadvantages. Many people go into business with too little capital and training and are dashed by the competition of the business. As a result a number of business failures are proprietorships.

# **SUITABILITY OF SOLE PROPRIETORSHIP**

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One man control over the business would be most efficient and profitable. If only that one man has the capability of managing everything indefinitely. Unfortunately such a person does not exist. This form of organization is therefore suitable for the following cases.

- a) Where the capital required is small and risk is not heavy since merchandise and services of one kind are sold. E.g. magazine and newspaper stand, bakeries teashops, rental libraries etc.
- b) Where quickness in decision is needed i.e. Bullion dealers, share brokers etc.

c) Where services are sold and customer requires personnel attention eg. Patient, lawyers, dentist, cobblers, accountant.

d) Where special regard has to be shown to the tastes of the customers eg. Tailoring, restaurant, managing etc.

e) Where market is limited eg. Retail trade.

Thus sole proprietorship has its own scope of activities and continuous to exist in spite of development of bigger organizations like partnership and joint stock companies.

## PARTNERSHIP

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It is rare that person combines in himself all that is essential to make him successful businessman. Beside to reap the economies of large scale operation sole proprietor may fail to cope up with demands of expansion. He may possess adequate capital but he may be handicapped by the lack of experience. Skills and managerial ability. Or it may be the other way round. Therefore a combination of two or more or more persons, some having capital and others having skill or experience proves to be beneficial.

According to section 4 of the Indian partnership Act of 1932, partnership is defined as “the relating between persons, who having agreed to share profits of a business carried on by all or any one of them acting for all”

The above definition reveals that:

1. An agreement between partners is necessary.
2. The agreement must be in regard to the sharing of the profit of the business.
3. The business must be carried by all or any one of them acting for all.

The individual who constitute the partnership are called partners and they collectively form the firm. The name in which there business is carried on is called the firm name.

## FEATURES OR ELEMENTS OR CHARACTERISTICS OF PARTNERSHIP

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Partnership is the result of contract between two or more person who has agreed to carry out on a business with the object of earning profit. The followings are the main features of partnership.

### **1. AGREEMENT:**

The most important element without which partnership cannot be formed is the agreement between the partners. It is immaterial whether the agreement is written or oral but its existence is essential. Besides, the agreement must be done in carrying the business and sharing of profit.

### **2. NUMBERS OF PARTNERS:**

There must be an association of two or more person to constitute a partnership. The maximum number of partners is 10 for banking business and 20 for general business.

### **3. BUSINESS PURPOSE:**

The main idea of partnership is to do business and distribute the share of profit earn during the course of business among the partners. The aim of business must be earring of money.

### **4. SHARING OF PROFIT:**

The partners carry out business with the view to earn profit which is distributed among them in agreed ratio. In similar way, if there is a loss all partners are going to bear it.

### **5. CAPITAL:**

The partners provide capital from there own pockets but they can also borrow money at their own risk. One can become partner of a firm even without contributing any money towards the business. In that case, his time, energy and intelligence will be regarded as capital for which he will take a share of profit. If the partners devote the maximum amount of his time in business he would also be paid a salary.

## **6. MUTUAL TRUST, CONFIDENCE AND UTMOST FAITH:**

All the partners must trust each other. They work in closed cooperation to make the enterprise a success. The partnership agreement is made on utmost trust and faith. The partners must disclose every information and must present true accounts to one another.

## **7. PRESENCE OF AGENCY:**

The other most important element of partnership is the presence of agency between partners. Each partner is liable for the act of other partner. It may possible that one partner transact whole business on behalf of other partner with their consents.

## **8. BUSINESS IN WIDER SENSE:**

The term business is very wide and it includes every kind of trade. Profession and occupation. Thus the partnership is not confined to a particular kind of trade or profession. Thus partnership has no limitation of duration and it may be formed for a single transation.

## **9. UNLIMITED LIABILITIES:**

Every partner has unlimited liabilities toward the firm's debt. The creditors can recover debt from the personnel property of the partners.

## **10. NO SEPARATE LEGAL ENTITY:**

Generally partnership has no legal status as entity. The assets are used and liabilities are owned by the partners collectively.

## **11. EFFECTS OF PARTNER'S DEATH:**

Unless the partnership agreement provides otherwise the death of partner automatically dissolve the partnership business.

## **12. RESTRICTION ON RETIREMENT OF PARTNERS:**

The partner cannot retire without the consent of the co-partners.

The partnership organization has following types of partners.

## **TYPES OF PARTNERSHIP**

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### **1. ACTIVE OR WORKING PARTNER:**

These are those members of partnership who contribute to the capital of the firm and taken the active part in the conduct and administration of the business. He is considered as agent of the firm by other partners.

### **2. DORMANT OR SLEEPING PARTNER:**

They contribute to the capital of the firm but do not take any part in management. Their names dose not appears any where as partners but in reality they are partners. They also share profit. They are liable to the third parties on behalf of the firm. He has every right to inspect and copy the books of accounts.

### **3. NOMINAL PARTNER:**

He is the one who neither contribute any capital t the firm nor takes any active part in conduct and administration of the business he only lends the use of his name to the firm. He is not entitled to share the profit. He is liable for all acts of firm.

### **4. QUASI PARTNER:**

A quasi partner is a retired partner who has left his capitols with the firm as loans. He gets interest on his loan at the rate varying with the profit of the firm.

### **5. LIMITED PARTNER:**

The liability of the limited partner is limited to the extend of his investment in the business. Such a partner is not allowed to take part in the management of the firm. In case of falier he cannot lose anything from his private property.

### **6. MINOR PARTNER:**



With the consent of all partners a minor person can be admitted to the benefits of the firms only. Such a partner cannot be held liable for the firm's debts.

#### **7. SELF STYLED PARTNER:**

Any person who calls himself by his gesture and posture or conduct or by his words of mouth or by written expression to be the partner of the firm is known as self styled partner.

#### **8. SALARIED PARTNER:**

Generally in professions, it is not seen that some person is admitted as a partner who invested his capital in the business nor has interest in goodwill of the firm such a partner is remunerated in different way.

## **ADVANTAGES OF PARTNERSHIP**

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#### **1. LARGE AMOUNT OF CAPITAL:**

In sole proprietary ship the amount of capital is limited to personal fortune and credit of one individual. In a partnership the capital can easily be raised according to requirements by bringing additional workers.

#### **2. COMBINED JUDGEMENTS AND MANAGERIAL SKILLS:**

In partnership business there are more than one owner, it is therefore possible to combine the abilities and knowledge of every partner to the best interest of the business. With combine decision and judgment business is greatly benefited and more profit is possibly earned.

#### **3. PERSONAL INTEREST:**

Since each general partner is responsible not only for his acts but also for the acts of his partners, he shall devote his personal attention and interest to the activities of the firm and this will enable a firm to attain maximum efficiency.

#### **4. HIGH CREDIT STANDING:**

A partnership has little difficulty in obtaining credit. Especially if the partners have their personal wealth. If there are several partners and one of them has several extensive private means, creditors have little reason to doubt that the debt of partnership will be paid in full.

#### **5. EASE OF FORMATION:**

A partnership business is easy to start with as it is free from all legal formalities. It does not suffer the legal handicaps. The business can be easily increased or decreased to the suitable condition.

#### **6. RETAINING OF VALUABLE PERSON/ PROVISION OF NEW BLOOD TO THE BUSINESS:**

New blood can be infused into the business by admitting new partners. Then the business can utilize the genius of an enterprising young man.

#### **7. CO-ORDINATED DECISION:**

The decisions which take place in the partnership are the coordinated decision i.e. the decision which are jointly taken by all the partners.

#### **8. LIGHTER RISK:**

Risk is spread here over several persons who are the partners. All the partners pool together their abilities and their income.

#### **9. UNLIMITED LIABILITIES:**

Each partner has an unlimited liability towards the firm debt. The creditors can recover the debts from the personal property of the partners.

#### **10. FLEXIBILITY OF THE ORGANIZATION:**

A partnership organization is extremely mobile, flexible and elastic. The partners are at ease to carry on any legal business.

# DISADVANTAGES OF PARTNERSHIP

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## **1. POSSIBILITY OF DISAGREEMENT BETWEEN THE PARTNERS:**

Two or more men start out together as close friends or as relatives. However they may develop difference over a year that will make for unpleasantness and inability to work together for the best interest of their firm.

## **2. UNLIMITED LIABILITIES:**

The greatest disadvantage is that of unlimited liability of the partners. At general partners are liable personally for the partnership debts. Where there are heavy losses the partner having much property will have to sustain the entire loss.

## **3. DIVIDED CONTROL/ DELAY IN DECISION MAKING:**

In the partnership more than one person is involved in every decision reached. If partner are not active in the operations it may be necessary to delay the making of an important decision. Therefore divided control leads to delay in decision.

## **4. FROZEN OR BLOCK INVESTMENT:**

For an individual who wishes to invest some money in a business, the partnership form may prove to be a poor investment from the view point of liquidity and transferability. It is correct to say that it is easy to invest money but is difficult to withdraw it, because it would mean the termination of business

## **5. LIMITATION ON SIZE:**

Since maximum number of partners is 20, it might ne possible that at some time the capital becomes short. If it happens the business has to be converted into a joint stock company. Therefore a big business cannot be started even if they get a chance to expand it, because the capital of 20 people may not be sufficient.

## **6. NO LEGAL ENTITY:**

Law does not recognize a partnership as an organization having an entity existence separate from the partners who comprises it.

## **7. LACK OF SECRECY:**

Secrecy in business is necessary for its success. It is not possible sometimes in partnership.

# **PARTNERSHIP DEEDS OR PARTNERSHIP AGREEMENT**

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It is document in which the term and condition of partnership agreement are written. Hence contract is said to be the essence of partnership business. It can be oral or written. The written document of partnership is known as partnership deeds. Partnership may be formed and condition of the contract put down in black and white. The partner is to be free from future confusions and misunderstandings. Good relation between partners may not continue for a long time.

In future there may be difference of opinion between the partners on some points. The differences may only be removed if the terms and conditions are in the document to avoid future disputes and misunderstanding between partners. A well drawn up partnership deed usually contains the following forms:

1. Name of the firm
2. The nature and object of the business
3. The duration of the business.
4. The names and address of the partners.
5. The amount of capital of the firm and the amount contributed by each partners.
6. The ratio of sharing of profits and losses of the firm
7. The management of the firm.
8. Salaries if any paid to partners.
9. Interest on partners.
10. The rights and duties of the partners.
11. The valuation and treatment of good will in case of dissolution of the firm.

12. Rules and regulation regarding the admission of new partners and expulsion and retirement of an existing partner.
13. Appointment of an arbitrator to settle disputes if any among the partners.
14. The names of banks where firm accounts will be opened.
15. The names of auditor or who will inspect the books of accounts.
16. The names of partners who will sign the important document.
17. The procedure of the dissolution of the firm and settlement of accounts.
18. Any other clause or clauses necessary for future safety for the conveniences of the partner.

The partnership deeds must be signed by all the partners.

## RULES APPLICABLE IN THE ABSENCE OF AN AGREEMENT

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In the absence of any agreement, the following rules are applicable. These rules are contained in Section 12 to 17 of the Indian Partnership Act as adopted in Pakistan.

1. Every partner has a right to take part in the conduct of the business.
2. In case of any difference arising out in ordinary matter connected with the business, the decision may be taken by a majority of the partners.
3. No change can be made in the nature of the business without the consent of all the partners.
4. Partners have right to see, inspect and copy any of the books of the firm. No remuneration is allowed to any partner.
5. All the partners will share equality in the profits and contribute equally to the losses.
6. Six percent interest is to be paid on the loan advanced by any partner.
7. The partnership firm must indemnify a partner in respect of payment made by the partner to the third party and also any liability incurred by any partner in the ordinary and proper conduct of the business.

8. A partner must indemnify the firm for any loss caused to the firm by his willful neglect in the conduct of the business of the firm.
9. All the property of the firm is to be held and used by the partners exclusively for the purposes of the business. In case a partner carries out any business competing with that of the firm, all profits made by him in that business should be paid to the firm.

## **REGISTRATION OF PARTNERSHIP FIRM**

The partnership act of 1932 has not made registration of the firm compulsory in our country. It is quite optional. It depends upon the willingness of the partners whether the firm has to be registered or not. If they wish they can register their firm with the registrar of the firms by filing with him a statement containing certain information and depositing requisite registration fees. It is essential that statement must be signed by all the partners and should contain following particulars;

1. the name of the firm,
2. The principal place of the business.
3. The names of the other places where firm may carry out its business.
4. The date on which each partner entered into the firm.
5. The names and permanent addresses of all the partners of the firm.
6. the duration of the firm

Now if the registrar is satisfied with the information provided and he thinks it necessary then he will register the firm. The name of the firm is then recorded in the register maintained for the purpose in the office of the registrar. The partnership act does not make the registration compulsory. However it imposes certain disabilities on the partners of an unregistered firm. If it is not registered, it will not be able to enforce its claim against third party against his fellow partners.

## **DISSOLUTION OR LIQUIDATION**

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A partnership may be dissolved in any of the following manners.

### **1. DISSOLUTION BY AGREEMENT:**

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A partnership may be dissolved when the partner is of one opinion to dissolve the firm, or it may be dissolved according to the contracts between the partners.

## 2. DISSOLUTION ON THE HAPPENING OF CERTAIN CONTINGENCIES:

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- a) If a partnership has been formed for a fixed term, then it can be dissolved after the expiry of the term.
- b) If the partnership has been formed for carrying on one or more venture, then it can be dissolved after completion of that venture or ventures.
- c) On the death of partner it may be resolved.
- d) By adjudication of a partner as an insolvent by the court of law.
- e) A partnership may be dissolved on the insolvency of itself.

## 3. DISSOLUTION BY NOTICE OF PARTNERSHIP AT-WILL:

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A partnership at will may be dissolved at any time if any one of the partners gives notice in writing to all the partners of the firm of his intention to dissolve the firm.

## 4. COMPULSORY DISSOLUTION:

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- a) By the adjudication of all the partners or of all but one partners as insolvent.
- b) By the happening of an event which makes it illegal or unlawful for the business to be carried on.

## 5. DISSOLUTION BY THE COURT:

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If any partner brings a suit in the court, the court may dissolve the firm on any of the following grounds.

- a) When a partner becomes of unsound mind.

- b) When the partner becomes permanently incapable of performing his duties as a partner.
- c) When the partner becomes guilty of his misconducts in carrying on business.
- d) If partner willfully commits breach of agreements in the matter of managing the affairs of the firm or his misconducts is such that it is not possible on the part of other partners to carry on business of the firm with him.
- e) If the partners transfers his entire share to other or his share in the firm have been changed by the court for his debts.
- f) Where a partnership cannot be carried on except at a loss.
- g) On any other grounds on which the court thinks just and equitable to wind up the business.

## Joint Stock Company

### DEFINITION

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In the modern times the business and industry has been developed on a large scale the capital required for such industry and trade is huge which cannot be accumulated either in a sole proprietorship or a partnership organization. As a result of this change, a new form of organization has become quite popular in modern times which are known as Joint Stock Company. It is normally defined as;

***“An association of many person who contribute money or money’s worth to common stock or employ it in some trade and business, and who share profit or loss arising from there.”***

It means the joint stock company is a voluntary association of individual who contribute their money or profit to a common stock for carrying on a particular business. The money or money’s worth contributed by the member known as ‘share holders’ forms the capital of the company. The capital is divided into numbers of unit called share. Each share carries definite face value and is transferable in the market without any restriction or formalities.

A company as soon as incorporated takes a legal entity distinct from the share holder who composes it. It is managed by a group of persons known as directors. Directors are the representatives of share holders.



# FORMATION OF JOINT STOCK COMPANY

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All the joint stock companies whether public or private are governed by the company's ordinance 1984 and must be formed according to the procedures laid down in that act. For the formulation of Joint Stock Company the following document must be submitted to the registrar, joint stock Company;

1. The list of directors along with their address.
2. the memorandum of association on which at least 7 person, who are promoters should sign in case of public limited company and two in case of private limited company. In addition of this it is also essential for the, to purchase the qualification share.
3. Articles of association duly signed as memorandum of association.
4. The consent of all the directors to act as directors.
5. A formal declaration by the secretary that all the formalities are duly completed.
6. A statement of normal capital.

Along with the above documents, registration fees, which varies with the amount of share capital is paid off to the treasury.

When the registrar of the joint stock companies is satisfied from all the formalities he will enter the name of the company in the register and will issue a certificate of incorporation. Now the company will have its separate existence.

## CLASSES OF COMPANIES

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There are following classes of Joint Stock Company:

1.CHARTERED COMPANY

2.STATUTORY COMPANY

3. REGISTERED COMPANY

.....(A) LIMITED COMPANY

.....(I) PRIVATE LIMITED COMPANY

.....(II)PUBLIC LIMITED COMPANY

..... \* COMPANY LIMITED BY GUARANTEE

..... \* COMPANY LIMITED BY SHARES

.....(B) UNLIMITED COMPANY

### **1. CHARTERED COMPANY:**

This type of company was formed in England and many other European countries before the passing of company acts. They are called chartered companies because they created by the royal charter of sovereign of a country. Such companies are rarely formed in present days. The chartered bank of England, the chartered mercantile of India, the imperial bank of east India Company has been formed under such chartered. In such companies the share holder are not responsible for the debt of the company. It can be dissolved by the king. After the passing of the companies Act such companies began to register under companies Act.

### **2. STATUTORY COMPANY:**

They are formed under the special act of the legislature. These are not regulated by the companies act. The special act of the legislature under which they are formed gives them monopolistic power to trade in the particular field of operation. Government took the initiative and created national bank of Pakistan, P.I.B.C and state bank of Pakistan etc. its functioning is more or less the same as the registered companies. Government controls more of the share than the public. Other example of this company are P.I.A etc.

### **3. REGISTERED COMPANY;**

This is most common form which is created under companies act. Before a registered company can be formed certain legal formalities are required to be completed and documents are to be filled with the registrar of the joint stock companies of the providence. In Pakistan these companies are incorporated under the company's ordinance. It is of two types.

#### **a) UNLIMITED COMPANIES:**

These companies are registered under the companies act. The liability of share holder of such companies is unlimited. An unlimited company can take numerous

members. It has a separate entity and is managed by the board of directors and its share is freely transferable.

#### **b) LIMITED COMPANIES:**

The liabilities of the members of limited company is limited by the total value of the share they hold or by the amount they have promised to contribute in the event of liquidation of the company. It is of two types.

##### **i) PRIVATE LIMITED COMPANY**

It is composed of at least two members and in no case can the number of its member exceed 50. It cannot issues share or debenture. Its share cannot be transferred to other.

##### **ii) PUBLIC LIMITED COMPANY**

It is formed by at least 7 members but there is no limited to the number of people. It can issue prospectus in order to sell its share in the market. Its share is transferable to others

It has two types:

**i) *Company Limited by Share*** The liability of the shareholder of the company limited by the share is limited to the extend of the face value of the share held by them.

**ii) *Company Limited By Guarantee*** The members of such company undertake to shoulder a definite amount of extra liability over and above the total value of the share they hold.

## **MEMORANDUM OF ASSOCIATION**

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The first thing in the formation of joint stock company is the preparation of memorandum of association. It is the document which sets out the constitution of the company and as such is really the foundation on which the structure of company rests. That is why this document has often being called the charter of the company in its relation to the outside world. The document is prepared by the promoters of the company. It must contain the following clauses.

### **1. NAME CLAUSE:**

In this clause the full name of the company is shown and the last word of the name of the company must be limited. The company can adopt any name but there are certain restriction and the words like "ROYAL, IMPERIAL, EMPIRE, ESTATE' etc cannot be used without the special permission of the government.

### **2. OBJECT CLAUSE:**

This clause is very important one must be very carefully drafted as it determines the activities of the company. Here each and every detail of activities of the business to be carried out must be laid down. Once the object clause is completed it becomes very difficult to make any amendments. The value of the share the utmost money must be given in detail.

### **3. SITUATION CLAUSE:**

This act provides that the company must have a registered office so that registrar may be able to send notice etc. to the company at the registered office.

### **4. LIABILITY CLAUSE:**

A declaration that the share holder liability is limited.

### **5. CAPITAL CLAUSE:**

This clause must contain a statement as to the amount of capital with which the company proposes to be registered and the division therefore into share at certain fixes amounts.

## **ARTICLES OF ASSOCIATION**

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This is an important document which must be prepared and filled with the registrar of the company. It contains rule and regulation regarding the internal work and management of the company. It defines the power, rights, and duties of directors,

share holders and other officer of the company. The purpose of this document is to carry out the object set out in the memorandum. The memorandum limits the jurisdiction beyond which the article of association cannot go. It states how general meeting are to be held, how the voting is to be done. How the shares are to be transferred, and how they are to be forfeited, how accounts are to be kept. If the company does not prepare the article of association than it can adopt its table A of company ordinance.

The article must be seriously drafted, seriously numbered and printed and then filed with the registrar of Joint Stock Company. The article must be signed by the subscriber and witness as in the case of memorandum. It is usual to print memorandum and article in one booklet, as the company required to provide the copies to members on request.

## DIFFERENCE BETWEEN MEMORANDUM AND ARTICLE OF ASSOCIATION

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<b>MEMORANDUM OF ASSOCIATION.....</b>	<b>ARTICLES OF ASSOCIATION</b>
---------------------------------------	--------------------------------

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- |   |  |
|---|--|
| 1.It is charter of company which defines the powers objects of the company.....<br>contains rule and regulation regarding the internal work and management of the company. It defines the power, rights, and duties of directors, share holder.<br>2.It is difficult to alter. Its alteration requires confirmation of the court.....<br>can be altered by passing special resolution in a general meeting.<br>3.It must be signed by at least 7 subscribers.....<br>must be signed by at least 2 subscribers.<br>4. It must be registered before incorporation of the company.....<br>may or may not t be registered before incorporation of the company.<br>5. It is not subjected to article.....<br>subjected to memorandum.<br>6. It governess the relationship of the company with outside world.....<br>governs the them. Relationship of members among. | 1. It<br>2. It<br>3. It<br>4. It<br>5.It is<br>6. It |
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# DIFFERENCE BETWEEN PRIVATE AND PUBLIC LIMITED COMPANIES

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## **1. NUMBER OF SHAREHOLDERS**

In private limited company minimum number of share holder is 2 and maximum is 50 but in a public limited company the minimum number of share holder is 7 and there is no limitation on the maximum number which may increase to thousand.

## **2. SUBSCRIPTION OF SHARES**

A private limited company cannot invite the general public for the purchase of share and debentures. But a public limited company can invite the general public for the purchase of share and debentures.

## **3. DIRECTORS**

A private limited company may or may not have directors; there is no restriction on it. But in case of public limited company there must be at least three directors. There is no limitation fixed for the appointment of directors.

## **4. CONSENT PARTNER**

If there is partner in private company his written consents are not required but in case of Public limited company, his written consents are required.

## **5. CERTIFICATE OF INCORPORATION**

A private limited company can start the business without registration or incorporation certificate but public limited company cannot start without registration.

## **6. PROSPECTUS**

A private limited company can issue a prospectus or statement in lieu of prospectus. But it is necessary for the public limited company to issue a prospectus or statement in lieu of prospectus.

## **7. AUDIT OF ACCOUNT**

The account of private limited company may be checked by any person, or by the body of the company. But the accounts of public limited company must be audit by chartered accountants or registered accounts.

## **8. ADVERTISING ACCOUNTS**

It is not necessary for the private limited company to advertise the copy of balance sheet and profit or loss account every year. But for public limited company it is necessary to advertise the copy of balance sheet and profit or loss account every year.

## **9. STATUTORY MEETINGS**

It is not necessary for the private limited company to call a statutory meeting. But statutory meeting must be called within 6 months from the commencement of the business in public limited company.

## **10. APPOINTMENT OF MANAGING AGENTS**

Managing agent in private limited company can be appointed for a period, but managing agent in the public limited company can be appointed for the 20 years at-most.

## **11. QUALIFICATION OF SHARE FOR DIRECTORS**

In private limited company there is no qualification of shares for directors but in public limited company a person will have to purchase qualification share for becoming the director of company.

## **12. CONDITION OF MINIMUM SUBSCRIPTION**

The condition of minimum subscription is not applicable for private limed company. But for the public limited company the minimum subscription must be raised before the almost of shares of the general public.

# ADVANTAGES OF JOINT STOCK COMPANY

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## **1. HUGE AMMOUNT OF CAPITAL**

It is in position to raise large amount of capital required for big business. The reason is the limitation of liabilities and ease of transferability of share. A small value of share allows charge number of people to invest. Therefore large capital can be raised by Joint Stock Company.

## **2. ALL PEOPLE CAN INVEST**

The shares are of different kinds and they are purchased by person of different temperaments. The small value of share allows the poor people to also purchase it. Besides the company can also raise fiancé by the issue of debentures and bonds.

## **3. LIMITED LIABILITIES OF SHAREHOLDERS**

The liabilities are limited. It means that the risk is spread over a large number of share holders and possibility of hardship on few is reduced. Secondly if the business is lost the shareholder are not going to loose anything from their private properties.

## **4. EFFICIENT MANAGEMENT**

The management is carried out by the people who are able, experienced and trustees of share holders. It is thus in the hand of few exporters. secondly the company can also hire efficient and qualified staff since it can pay their wages.

## **5. STABILITY OF BUSINESS**

The success of business also depends upon the life of the business. The joint stock company is more suited in this respect, for a company is a legal person having a perpetual succession.

## **6. EASE OF EXPANSION:**

In joint stock Company if it is desirable to expand the business it can be easily done by the issue of more and more shares.



## **7. EASY TRANSFERABILITY OF SHARE:**

The share of company are easily bought and sold in stock exchange market like ordinary commodities, and the shareholder can withdraw his money when ever required by selling his shares to others. This fact encourages the public to invest money.

## **8. LEGAL ENTITY**

The company has legal entity distinct from the shareholders. The company can enter into any contract with any person on behalf of the company's name.

## **9. TAX CONCESSIONS**

The income tax has provided special concession to joint stock companies which are not available to sole proprietorship or partnership organization.

## **10. MASS PRODUCTION**

The greatest benefit of the joint stock companies is that it has made possible production on larger scale. Modern and mass production needs huge capital which can be accumulated in such a form to business organization.

# **DISADVANTAGES OF JOINT STOCK COMPANY**

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## **1. DIFFICULTY IN FORMATION**

The promoters has to under go under certain legal formalities to create the business. They have to prepare and file the necessary documents and pay the registration fee.

## **2. SEPARATION OF OWNERSHIP FROM CONTROL**

The management of the company is entirely in the hands of directors and the shareholder, who are the actual owners have no say in it. The directors may be dishonest and may deceive the public.

### **3. LACK OF PERSONAL INTEREST**

As compared to other forms of business such organization lacks personal interest, because the management knows that they will be paid in any condition and secondly the directors know the profit will be divided into number of share holders. This situation leads to the absence of personal interest.

### **4. LACK OF SECRECY**

A successful requires secrecy sometimes in certain matters. Secrecy cannot be maintained here because each and every formula or terms are exposed to all the shareholders regarding the volumes at sales margin of profits etc.

**5. MONOPOLY** Another danger lies in a tendency for the joint stock company to form themselves into a combination exercising monopolistic powers and monopoly is against public interest.

### **6. CORRUPTION**

The share being easily sale able, shrewd directors sell them whenever they suspect any danger in the business and shift the loss of the company on general public.

### **7. DIVIDED RESPONSIBILITIES**

The work of company is divided among various departments and the in charge of the company is quite independent. This sometimes causes much hardship and result in- Efficiency

### **8. SOURCE OF DECEIVING INVESTORS**

By forming bogus companies the promoters can deceive the general public.

## **Debentures**

### **INTRODUCTION**

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A trading company has an implied power to borrow money as an incidental part of its day to day business. In the case of Joint Stock Company the memorandum of association may fix limits to the borrowing powers and in such case borrowing in excess of the limit will be ultra virus to the company. A company therefore generally borrows money by means of issuing documents or bonds which are known as debentures.

It may be regarded as written acknowledgment of a loan by the company conditioning for the promise of repayment of interest and the principle after the specified time, if the loan is redeemable. A debenture must be distinguished from share. While debenture creates a loan a share creates an ownership. A debenture holder is thus creditor and he is entitled to a fixed rate of interest irrespective of profit while the shareholder is the owner who is entitled to receive profits, if there are any.

## CLASSES OF DEBENTURES

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### **1. NAKED DEBENTURES:**

These are without any security i.e. have no charge on any assets of the company. For practical purpose these are merely promissory notes. In the event of liquidation of the company the holders are ranked as unsecured creditors.

### **2. MORTGAGE DEBENTURES:**

These have certain specific rights against the assets of the company in other words the company pledges its assets to the lenders.

### **3. REGISTERED DEBENTURE:**

These are recorded in the books of company and are payable only to those who are written against them as holders. These can be transferred only by the proper transfer executed deeds.

### **4. BEARER DEBENTURES:**

The names of the holder of debentures are not registered and they are payable to those who present them. They can be transferred by means of redelivery by one person to another

#### **5. REDEEMABLE DEBENTURES:**

These are repaid by the company after a specific number of years after giving the prescribed notice of redemption to the debenture holder.

#### **6. IRREDEEMABLE DEBENTURES:**

These are the debentures which are not paid during life of the company but on the liquidation of company the debenture holder gets their amount back.

## **Prospectus**

### **INTRODUCTION**

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After the company have been registered, it promoters take upon themselves the task of making the existence of the company known, as widely as possible and inviting the public to subscribe to its share so that the company may have sufficient capital to commence its business. This is done by preparation and issuing of another document known as prospectus. Only a public limited company issues the prospectus.

A prospectus cannot be issued to public limited company unless a copy of its has been filed with registrars and every prospectus must state that a copy of prospectus have been filed with the registrar. A public limited company may not issue a prospectus to public when the capital raised from the original members is sufficient for the purpose. But it then must file the statement in the lieu of prospectus.

### **OBJECT OF PROSPECTUS**

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1. To inform the public about the newly formed company.
2. To create firm believes and confidence in the minds of the prospective investors and to induce them to invest their saving to the company.

3. To assure investor that the information, terms and condition specified in the prospectus are reliable and backed by relevant documents which are kept in the company ordinance.
4. To express the director's liabilities for information served in the prospectus.
5. To describe prospectus of company and advantages that one can gain by becoming the share holder

## CONTENTS OF PROSPECTUS

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Generally the prospectus contained the following:

1. Name and object of company
2. Name, address and occupation of the signatories to the memorandum of association and article of association along with the number of shares purchased by them.
3. Directors qualification shares and remuneration of directors for their service.
4. The name , addresses, occupation of directors, managing directors and other officers together with their description. 5. The name and address of the auditors.
6. The name and address of the bankers where accounts of the company has been kept.
7. The minimum subscription on which the director may proceed to allot share to general public.
8. Share capital, with number of share , their face values
9. The name and address and occupation of vendors of any property purchased by the company and the amount paid or payable in cash shares or debentures.
10. The amount estimated or preliminary expense and person by whom any of these expense have been paid or payable.
11. The voting rights and meeting of the company.
12. The number of founder or promoters of company and the extent of their interest in profit and property of the company.
13. Particulars of any contracts entered into the prospectus.

14. Any provision for payment of brokerage and commission to brokers and commission agents.
15. Full particulars of interest if any of directors or promoters and whether any amount is payable to the directors for their services or not.
16. Names of under writers if any opinion of directors that are resource of underwriter are sufficient to discharge there obligation.
17. A declaration that a copy of prospectus has been filed with the registrar, before the issue of prospectus.

## Import

### Discuss the Procedure of Import

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Goods in Pakistan can be imported either by the importer himself or by the selling branches of the exporting countries or by importing houses. The person firm or organization desirous of importing any product should ensure whether the import of the product is allowed or not and if allowed then what benefits he could get.

The majority of the merchants in our country buy their goods through the importing houses and this trade is known as indent business. There are foreign as well as Pakistani indent firms which sell the imports transactions. These firms either work as middlemen between the merchants and foreign suppliers.

As regard import trade of Pakistan, since the introduction of bonus schemes the importers has started importing goods usually without the help of these intending firms. The procedure of import trading is as follows;

#### **1. OBTAIN THE IMPORT LICENSE:**

The first stage is to obtain the license of the goods which importer wants to import. The license is issued by the chief controller of import and export. Import license is the permit given by the government to import certain goods.

#### **2. PLACING INDENT OR ORDER:**

The importer will then send an order to the exporter in foreign country stating importer's name, full particulars of goods wants, such as the type of good , the quality, price, the mode of payment and shipping etc.

### **3. OPENING LETTER OF CREDIT (L/C):**

After the order has been accepted by the exporter the importer has to arrange for the opening of letter of credit through his local bankers. The L/C is then forward to the exporter through the banker.

### **4. ADVICE OF SHIPMENT:**

The importer has nothing to do until the arrival of goods at the port of the country. In the mean time the agent or branch of exporter's bank in importing country informs him of the arrival of the document leading to the delivery of good so that he can arrange for necessary funds to pay off the bills of exchange.

### **5. APPOINTMENT OF A CLEARING AGENT:**

The importer can himself undertake the custom formalities or can use the service eof clearing agent. If the importer is unaware of custom formalities or has no time to attend the custom house for taking delivery of commodities, the services of a clearing agent are taken. All the documents are handed over you the agent so that he may be able to take delivery of the goods. The clearing agent is paid certain commission for his service.

### **6. PAYMENT OF THE BILL**

In this stage the agent or the branch of the country of export will present the bills of exchange along with related shipping documents to the importer. The importer will pay the bill. If the importer falls to pay the bill he may ask his banker to pay the bill by granting him loans against the goods imported. In that case, the bank will ask the importer to give the letter of hypothecation on the strength of which the bank will hold the goods.

### **7. CUSTOM FORMALITIES:**

Before delivery of the goods, custom formalities are to be fulfilled. If the goods are duty free the importer has to face no difficulty in taking the delivery of the goods. Delivery is allowed after the usual examination and the importer collects or takes the

goods to his godowns. On the other hand if goods are liable to duty, the importer has to pay the duty and then take the delivery of the good.

#### **8. FREIGHT CHARGES:**

If the freight has not been paid by the exporter, the importer will have to pay the amount of freight at the office of the shipping company. The shipping documents are then handed over to the shipping company to issue a ship delivery order without which the goods cannot be released from the ship.

#### **9. ENDORSEMENT FOR DELIVERY:**

The first thing for taking delivery of the goods is the endorsement for delivery from the shipping company. It is done by presenting the bill of the lading at the office of the shipping company.

#### **10. TAKING DELIVERY OF GOODS:**

After all the payments have been made the goods are handed over to the clearing agents or the importers. He will examine the goods carefully and will inform the shipping company if the goods are found damaged. The damage is charge from the insurance company after it is proved.

#### **11. DISPATCHING GOODS:**

If the goods are taken by the clearing agent he will arrange to dispatch them to importer. He also sends an invoice note and a railway receipt if the goods are dispatched by the government.

#### **12. CLOSING THE TRANSACTION:**

If the importer is satisfied with the goods supplied then the transaction is closed. In case of a disputed or discrepancy, the matter will be settled by means of corresponding between the parties.

### **IMPORTANT DOCUMENTS USED IN CONNECTION WITH IMPORT**

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### **1. THE IMPORT LICENSE:**

Import license is the permit given by the government to import certain goods from foreign countries.

### **2. LETTER OF CREDIT (L/C):**

It is the important document financing of foreign trade and is issued by the importer's banker to the exporter.

### **3. BILLS OF EXCHANGE:**

It is the document in which exporter orders the importer to pay the amount at a fixed date only to a specified person or its bearer.

### **4. INSURANCE COVER NOTES:**

It is the document issued by the insurance companies to cover the risks during the transit of the goods.

### **5. PROFORMA INVOICE:**

It is the form of an invoice which could be a sort of pukka document.

### **6. BILL OF LADING**

It is the receipt issued by shipping company showing that goods mentioned therein have been taken on board the ship. Importer cannot take delivery without producing it.

### **7. MATE RECEIPTS:**

This is the receipt from the ship Captain showing the consignment receipt on board the ship and identification marks.

### **8. CERTIFICATE OF ORIGIN:**

It is prepared by the exporter. It states the place of origin of goods and it is issued by the chamber of commerce of the country.

#### **9. PACKING LIST:**

This list shows contents of each packing with serial numbers, identification marks etc.

#### **10. VBF FORM:**

A form in which the importer makes a declaration about the imported goods, their values etc.

#### **11. BILL OF ENTRY:**

It is a list of goods lying at the ships. The importer has to submit this list to identify the goods.

**12. LETTER OF HYPOTHECATION:** It is the document signed by the customer conveying the banker the full owner ship of the goods in consideration of an advance.

#### **13. DOCK WARRANT:**

This warrant is issued by the dock authorities to the owner of the goods as s recognition of Owners title to goods lying at the dock.

## **Export**

### **Discuss the Procedure of Export**

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The procedure of export trade is as follows:

#### **1. RECEIVING THE ORDER**

The first stage in the export trade is the receipt of an order from a foreign merchant. the order directs the exporter to forward certain goods. The order should give the necessary instructions, such as marks, number, mode of forwarding, insurance,

quantity, quality, size etc and also the prices which the importer is ready to pay for the commodities.

## **2. EXPORT LICENSE**

It is required to be taken by the exporter from the Chief Controller of exports and imports. Export license is a permission from the government for the export of certain goods. The export license helps the government in regulating and controlling the exports of a country.

## **3. WRITING TO THE IMPORTER FOR THE LETTER OF CREDIT**

Before the exporter arranges for the shipment of goods, he asks the importer to open L/C in his favour with the bank. L/C is a security given by the issuing banker that the exporter will be paid for the goods exported by him. It authorizes the exporter to draw bills of exchange on the banker for receiving payment and the bank permits their honour.

## **4. ASSEMBLING THE GOODS**

When L/C has been opened, the exporter will proceed to collect the goods. He will send the order to his warehouse for the goods for packing. If the goods are not in stock, he will purchase them from the local markets. The goods must be according to the order and all conditions should be duly followed.

## **5. PACKING AND MARKING THE GOODS**

Packing is an important part of the export procedure and should receive due attention. Any instruction given by the importer must be strictly observed. The measurements should be marked on the outside. In some cases gross weights are also indicated on the package.

## **6. APPOINTMENT OF A FORWARDING AGENT**

The services of a forwarding agent can be taken for forwarding the goods. The forwarding agents are paid a certain commission and they undertake all the custom formalities on behalf of the exporter.

## **7. OBTAINING SHIPPING ORDERS**

Shipping order is received from a shipping company by an application. In the application, the full particulars of commodities with the port of destination are given. The shipping company, carry the goods to the port of destination at a certain shipping order.

## **8. CUSTOM FORMALITIES**

In export trade the following custom formalities are undertaken:

### **A) SHIPPING BILL**

The shipping bill is a form containing the detailed description of goods such as marks, numbers, quantity, quality, country of destination and the name of the ship. It is available from the custom office and is filled up by the agent for paying the export duty. This form enables the custom officials to calculate the amount of duty.

### **B) DOCK DUES FORM**

It is available from the lending and shipping office. It is filled up by the exporter or his agent by the payment because back authorities render some services regarding the export of the commodity.

## **9. LOADING THE GOODS AND GETTING MATE RECEIPT**

After paying custom duty and dock charges, the exporter makes arrangement for loading them on the ship. The packages as they are received on the ship are counted and their packing is carefully examined. The captain at the ship then issues the receipt for the goods received and this receipt is called a mate receipt. A mate receipt is said to be claim, when it contains low, adverse remarks, regarding the goods. It is said to be dirty when it contains certain remarks regarding their defective packing.

## **10. BILL OF LADING**

The exporter, after receiving the mate receipt presents it to the shipping company and obtains in exchange a document called Bill of Lading. The Bill of Lading can be transferred freely and it performs three functions:

1. It is an official receipt of the goods, placed on board the ship.
2. It is a contract to carry goods to the port of destination.
3. Its holder is entitled to take delivery of goods by presenting it on the port of destination.

## **11. MARINE INSURANCE POLICY**

Certain goods are required to be insured before they are dispatched to a foreign country. Goods are insured with a marine insurance company and the policy is sent by the exporter to the importer.

## **12. CERTIFICATE OF ORIGIN**

This is the certificate which shows the origin of the commodities being exported. That shows the origin of the country in which they were manufactured. Due to special trade agreements between certain countries goods sent from one country to another generally receives preferential treatment in respect of the import duties. Certificate of origin is obtained by the exporter for being sent to the importer, so that he must be able to get advantage of preference in import duty.

## **13. PREPARATION OF INVOICE**

The exporter having shipped and having gone through all the formalities is now in a position to prepare the invoices. the invoice contains a detailed description of the goods shipped and the charges incurred.

## **14. RECEIVING PAYMENTS**

The exporter generally receives payments by drawing a bill of exchange upon the bank where the importer has opened a letter of credit. He also attaches with it the necessary documents such as Invoice, Bill of Lading, Marine Insurance Policy, Certificate of Origin etc. When all these documents are sent with the Bill of Exchange, it is called documentary of Bill Exchange.

# Marketing

## DEFINITION OF MARKETING

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The term market and marketing are often very really used in ordinary since but it has different meaning in commerce. marketing includes business activities involved in the flow of goods and service from production to consumption.

Mr. C.C Knight says: “ Marketing embraces all those efforts made in the discovery of consumers actual and potential requirement for the commodities and service and the steps taken fro securing their adequate distributing”

According to Prof. Hall “ the word marketing describes number of association activities which move towards a common objectives: the determination of consumer demand for sale and distribution of goods and services”

In simple words all those business activities which effect the transfer of ownership of goods and services and provide for there physical distribution come within the scope of marketing. Marketing activities may be divided into two main groups;

1.those which effect the transfer of title of the goods 2. those which are involved in the physical distribution of goods from one place to another.

Market creates time, place and possession utility. It is for their creation that study is becoming more and more important every day.

## NATURE AND SCOPE

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Marketing is a very comprehensive term and include all efforts to

1. discover the present and potential requirement of consumer.
2. the evolution of the product which would satisfy those requirements.
3. all the effective methods of production distribution
4. all the efforts to improve and modify the products.

## FUNCTION OF MARKET

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Marketing function can be defined as fundamental activities or services carried out in the marketing process. These functions are performed by manufactures, marketers, wholesalers etc. However the functions are as follow.

**BUYING:**

Buying is an important marketing function for everyone connected with the distribution and consumptions of good. Generally the wholesaler buy from the manufactures, the retailers from the wholesalers and consumer from the retailers. The performance of this function involves the activities relating to determination of needs, selection of proper source of supply, date of shipment etc. the function also considers the quality of goods with prospects of high profit.

**Selling:**

The second important function is to arrange for the sale of goods. Selling involves a wide Varity of task. These include the discovery of customers, introducing them with the available goods and encouraging them to purchase them to purchase goods. Selling add possession utility to commodities. Sometimes selling is a specialized function as in case of brokers auctioneers and other sales agent who don't handle the goods at all but merely serves as a connection link between buyer and sellers.

**Advertising:**

The age of competition compels the seller to be alert in the creation of demands for their goods through auxiliaries like advertisement and salesmanship. The main objective is to draw attention of a large number of people to the products and to convince them of the excellence of the product. As a result the number of consumers increases. Without publicity the goods may not be noticed and marketing may come to stand still.

**Transportation:**

It creates place utility. In order to have goods must be transported from one place to another. To a very great extent the marketing system is built up upon economical and effective transportation. For the distribution of goods over a wide area, effective transportation must be available. and it should be adequate to meet the normal demands. Therefore, the efficiency of marketing depends upon quick and cheap

means of transportation. With the increase in the distance between the producer and consumer the importance of transportation has further been increased.

### **Storage and warehouses:**

Storage of good is an another important function of marketing. In many lines of business goods are produced considerably in advance of their consumption. Storing creates the utility. Because marketers often maintain extensive inventories, the consumers desire to buy is satisfied without waiting.

### **Standardization and grading:**

It determines the form and classifies goods according to their quality. The producer standardize his goods according to the requirement of the market. It saves the time of consumers in selecting the goods. Consumer rely upon manufacturers that their goods are of uniform quality and of standard measure and size.

By grading we mean that actual sorting out the commodities according to established specification relating to size , quality , color , weight etc. Graded products facilitate buying and selling and the elements of risk is also reduced .

### **Financing:**

It consist of the supply and management of money of money and credit. A considerable amount of time elapse between the production and the sale of good, during that period finance is required at every step. The whole marketing mechanism is based upon financing. The retailers demand credit from the wholesalers , the wholesalers from the producers and the producers from the banks and finance companies.

### **Risk taking:**

The mere act of owning goods carries with it the burden of assuming certain risks in connection with them. Some of the risks involved relate to physical deterioration theft, damage , waste, change in demand or supply or price. It is possible to minimize some of these risk through shifting them to insurance company.



**Packing:**

Protecting goods from breakage, spoilage and leakage while they are being transported or stored is another important function of marketing process. Considerable efforts and research has been carried out in this field as packing represents a vital and expensive activity.

**Branding:**

It is applicable to all identifying marks by which a manufacturer or wholesaler identifies his products. The brand enables the purchaser to know what he is buying.

**Recording:**

A considerable amount of recording is required in order to know who made the purchase, the amount of inventory. Therefore it is an important function.

**Sampling:**

In order to show goods to distant customers the producer has to adopt the prospect of sampling of the goods. It denotes the selection of a part of commodity from a bulk in such a way that it would be representative enough to render a correct idea about the commodity to recipient of the sample.

**Having Market Information:**

It is an important function and it is extremely helpful to both the consumer and the manufacturer. As markets for various articles are widening the importance of research and information is increasing. Producers are made aware of coming trends because marketers inform them of changes in consumer wants supply and demand and the new market development, position of the competitors etc.

**Salesmanship:**

The chief objective of this stage of marketing process is to bring a potential buyer into contact with the seller. Thus this is also an important marketing function.

# Wholesale Trade

## DEFINITION

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Generally speaking trade may be carried on either on retail or wholesales basis. When the goods are purchase in a large quantity by a person to be sold in smaller quantities to retailers it is known as wholesale trade. It may be defined as follow.

***“ A wholesale transaction is one in which the purchaser dose no buy for his own private or personnel use but is guided by a profit or business motive ib the making of purchase.”***

The wholesaler has following characteristics:

1. He deals in a larger quantity of goods which are being purchased from the manufacturer.
2. His business is specialized
3. He sells goods to retailers.

Thus the wholesalers are said to be marketing institution who buy goods and then resell them. They are neither the manufacturers themselves nor the retailers but acts as a link between them.

## SERVICE OF WHOLESALER TO MANUFACTURERS:

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The wholesaler render very valuable and important services to the manufacturer which are as follow.

1. By buying in large quantities the wholesaler enables the manufacturer to benefit from the economies of lager scale production. So the wholesaler grants financial assistance to producers.
2. A manufacturer is not expected to be expert seller. He is an expert technician and must pay all hs attention to production. The wholesaler enables him to do this by taking upon his shoulder the responsibilities of distribution.
3. The wholesaler relieves the manufacturer of the necessity for carrying larger stock . thus enabling him either to release his capital for future production or to carry on the business with less capital then would otherwise be necessary.

4. The wholesaler direct the manufacturer as regards the quality and quantity of the goods demanded, new market developments ,coming trends etc as they are in direct contact with the retailer who know the market conditions.

5. The wholesalers often enable the manufacturers to minimize his total distribution cost eg. The manufacturer of consumer goods would behave to establish and maintain an enouomus sales force in order to reach all outlets in which he would like his product stocked.

6. The manufacturers are already short of funds and cannot afford to allow credit to retailers, however the wholesalers can do so and relieve the manufacturers from credit burden.

7. The wholesalers simplifies the marketing process and makes fewer transactions necessary. A manufacturer deals only with a selected number of wholesalers rather than hundreds and thousand of retailers.

## SERVICE OF WHOLESALERS TO RETAILERS

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The wholesalers render very useful services to retailers which are as;

1. Supplying goods according to the demand: the retailers due to smaller capital cannot hold a big stock of any commodity but he the wholesaler by holding large stock of different varieties of goods enables the retailers to make purchase in small quantities at interval and to carry on business with less capital.

2. Facilitating choice of selection: a wholesaler hold large stocks of different varieties of goods and thus enables the retailers to exercise there choice and selection.

3.Credit facility: most wholesaler grant credit. This reduces the capital requirements of the retailers and enable him to maintain huge stocks of goods.

4. The stocks held by wholesalers enable the retailer to obtain supplies more quickly than they can from manufacturer.
5. The wholesaler makes the retailers buying function easier as he needs to deal only with a small number of wholesalers, rather than hundreds of manufacturers.
6. He often enable a retailer to reduce his total buying cost . they are often able to take advantages of volume discounts.
7. He regulates the price by controlling the supply and thus minimize the risk of retailers.
8. Since they perform a storage service, therefore they absorb a part of retailers storage burden. If the retailers were to buy direct from the manufacturer they would have to store the goods themselves.
9. They provide suggestion to retailers in connection with the store display, selling technique, and maintenance of accounts etc.
10. The supply of goods in small quantity enables the retailers in avoiding wastage.

## Retail Trade

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## INTRODUCTION

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It fulfills the requirements of the final consumer by placing the goods at his disposal for final consumption. It is the link between the wholesaler and final consumers. The retailers provide an opportunity of choices to final consumers amongst the variety of product kept by the retailer. He can also buy the goods in small quantities nearest to his door in accordance with his requirements

## FUNCTION OF RETAILERS

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1. the retailers supply goods at the very door of consumers. The consumer need not to go far to purchase the good because retailers are situated at very little distance. He may bring the goods with himself or he may leave them with the retailers to be delivered at his place as soon as possible.
2. the greatest advantage of retailer is the stored goods and sell them in small quantities when the consumer requires. He thus relieves the consumers from the necessity of storing goods which may of them cannot do for the lack of resources.
3. he tries to study the taste of the consumers and keeps the goods likely be in demand. He again keep wholesale merchants in touch with changing fashion and tastes and thus enables those goods to be produced which are really in demand.
4. he keeps the large variety of goods manufactured by different manufacturer with a view to enable his consumer good choice and selection.
5. if the customer is dissatisfied by the good the retailers quite willingly makes good the complain.
6. he adopts diverse methods for reaching the customers. His beautiful display and scientific advertisement are very educative.

## SMALL SCALE RETAILING

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### **1. HOUSE TO HOUSE RETAILERS:**

They are those who wander house to house selling their goods. Hawker and peddlers go into street, and different parts of the city in an effect to sell their goods. These person requires little capital and need no shop.

### **2. PART-TIME RETAILERS:**

They are not regular retailers. They only sell goods from door to door in their spare time. they sometimes deal only in the seasonal goods and as soon as the season is over they stop selling the goods.

### **3. ORDINARY SHOPKEEPERS:**

A large volume of retail trade is conducted by ordinary shopkeepers. They may be divided into small and big according to their scale of operations. Small shopkeepers require little capital and are established in lanes , unimportant streets. Big shopkeepers commands considerable capital and make shop in the most frequent areas in the heart of the city. Shop may be general or specialized. A general shop is the one where numerous varieties of goods of every day use are sold. A specialized shop on the other hand, is specialized in the sale of certain articles only for example fountain pens, jewelers shop.

## **LARGE SCALE RETAILING**

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Now days, as the production of goods is done on large scale , the flow of good in the market is huge and varied. The distribution is also to be done on large scale. The flow of good in market is huge and varied. The distribution is also on large scale so as to reap the higher profits avoiding competition from small organization. When retailers purchase goods on large scale they save much as they can get many advantages from the wholesalers and manufacturers. Beside they can accumulate variety of commodities and thus attract the buyers. The large scale retailers are discussed as follows;

### **1. DEPARTMENTAL STORES**

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Such stores requires investment of huge capital and involves considerable risk. The special features of this store is that they try to sell almost every considerable commodity of commerce, almost from an apple to an airplane. The store is divided into number of departments , suitated into the same roof, each department specializing in commodities of the nature. That is why it is known as the departmental store. it is thus an combination of large number of specialized shops, under unitary control. An attempt is thus made to supply to the customer all that he requires from this very place so that he may not require to visit any other shop.

## **ADVANTAGES**

The advantages of running a departmental stores are as follow;

1. The central side of departmental store gives it more advantages over a small scale retail store.
2. It provides efficient service to the customers like saving of time, car parking, telephone etc.
3. Such stores often create a demand for a commodity. A customer is sometimes induced to purchase other things also when finds them nicely placed in various section of store.
4. The price in departmental stores are less than in retailers shops because of the economy of large scale buying.
5. One department advertises for the other department.

## **DISADVANTAGES**

1. The elaborated service provided by the store tends to increase overhead expenses.
2. The location of such stores is away from population residential areas. It is difficult for the large scale retailers enterprises ie departmental store to take away the share of profit of the small retailers because they are located in central parts of the city and the people living in the suburbs and the other parts may not be served.

## **2. MULTIPLE SHOP/ CHAIN STORE**

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Sometimes the manufacturer himself wants to eliminate all the intermediaries and reach consumers directly. This he does by opening multiple shops. Shops are opened in various parts of big cities and in all important cities in province or country. These shops are meant to sell only those goods in which the producer or manufacturer is interested. The range of commodities kept and sold is thus very narrow. The advantages accruing as a result of specialization are those of economy in buying together with speedy and larger turn over at lower price eg BATA shoe

manufacturing company whose multiple shops are spread all over the big cities of Pakistan.

## **ADVANTAGES**

The multiple shop system enjoys all the advantages which normally accrue to large scale enterprise namely , economies of buying in larger quantities, centralized and highly sufficient control and experts advertising of firm's special lines. In addition to these there are the following advantages particular to multiple shops;

1. Shortages of stock at any branch may be made up by transfer from one branch to another.
2. A speedy turnover of stock is attain and be accentuated by studying sales figures to discover which of the goods are slow moving and then concentrating advertising effort on these items only.
3. As a result of speedy turnover, multiple shops are able to run their business at slightly lower cost than the other types.
4. As sales are made on cash basis , there are no bad debts and no expense of maintaining a large clerical staff.
5. The multiple stop benefits also from the fact that numerous branches can cater easily and efficiently for customers at comparatively short distance from their residence. The total number of its customers is larger than that of a single store or departmental store.
6. Each branch in itself is an advertisement for other branches and so long as the goods sold are of good quality in relation to the price, there is no limit to the number of branches that an efficient concern my control

## **LIMITATION**

Multiple shops suffer two limitation. Firstly they have to meet heavy expenses. Much of the difference between their buying and selling prices is absorbed by high rents of big premises in busy streets, with rules proportionately higher and by provision for writing off the initial cost of new shop fronts and new equipment and by the maintenance of poorly paying branches in places where the trade is not enough.



Secondly many managers and staff do not, without constant supervision, take the same interest in their duties as the proprietors would be.

### **3. MAIL ORDER BUSINESS**

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In mail order business goods are sold and delivered through the post and not across the counter. From buyers point of view, it may be describe as shopping by post. Payment is made by several methods, varying with the type of stores and customers standing. If the customer has an account, the goods are charged against it. If he is unknown the goods are supplied either on “ cash with order” basis or the goods are sent through the post office on cash on delivery basis. In later case the VPP( value payable post) system is utilized.

#### **ADVANTAGES**

1. Expenses and expensive shop, fronts etc. Are eliminated.
2. The sales in direct touch with the buyers and therefore it is generally to know the demands of customers more easily.
3. Advertising may be more effectively carried out since the results may be checked up with fair accuracy.
4. The actual selling is reduced to routine the work being performed by low grade workers and hence cheaper labour.

The sales appeal may be designed by experts and is not dependent upon the capacity of individual salesman. The customer buys sitting at his home and therefore saves himself from botherations of different types.

#### **DISADVANTAGES**

1. The small retailer is still able to compete with mail order house in most lines and ho has “convincing appeal” in his varied shook.
2. All retail shops have the advantage of enabling customer to see and examine goods but mail order business may not provide the facility to their customer’s ordinal.

3. Heavy expenses on advertising increase the cost to the customer as compared with normal retailers.
4. Publicity through advertisement also include quality of goods; the wordings of advertisement often create confusion and also sometimes mislead the customer.
5. The sales appeal is stereotyped and may not be easily altered.
6. It is not easy to find causes of failure to affect sales nor is it easy to get the orders.

# Finance

## Introduction

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It is necessary for a businessman to plan financial aspect in the early stage of starting any new business and it should not be left to chance. From the starting and to any later expansion in the firm's business, finance plays a very important role in purchasing aspects and to meet the expenses if necessary for carrying on the business affairs. The financial needs of business are assessed by the size and the nature of work. For a large business, financial needs are high as compared to a small business. For example, the joint stock companies require large amount of funds whereas sole proprietorship and the partnership business require small amount of funds. Finance can be obtained through two major resources owners' capital and borrowed money. The requirements of funds depend upon utilization that is how much funds will be needed for circulating and fixed capital. The capital credit obtained from any financial institution is known as borrowed money. Funds which are required to purchase any asset and to meet the expenses from the initial stages to the extension of any business is known as finance.

## Kinds of Finance

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### Long Term Finance

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Long term finance is that part of capital which is required by a business enterprise to finance its blocked or fixed assets such as land buildings, machinery and other appliances of permanent nature. In the established undertakings, it is required for extending the scale production and for the renewal and replacement of the fixed

assets, or for taking the advantages of new discoveries. Thus, it is needed for considerable period of time, usually for 10 or more years and hence it involves a high cost due to higher amount of interest.

## **SOURCES OF LONG TERM FINANCE:**

The following are the various sources of obtaining long term finance.

### **1. SHARES:**

The initial capital is obtained by a new concern by floating shares. Shares represent equal portion into which the capital of a company is divided. Shares may be issued directly by the company or through the under writers. Selling of shares is the most important method of securing fixed capital and the contributors are the general public.

### **2. BONDS AND DEBENTURES:**

To raise sufficient capital and to draw the attraction of those people who don't find interest in investment, debentures are issued by a company. Debenture is a promissory note for the repayment of money borrowed and the payment of interest at fixed rates. The contributor is again the general public.

### **3. GOVERNMENT LOANS:**

The state aid in the form of guarantee of dividend of new companies, taking of securities, plays a definite role in the financing of industries. In our country, industrial-finance Corporation was established to give long term loans.

### **4. FINANCING INSTITUTIONS:**

In Pakistan there are the following institutions from which different industries can take their finance for long periods:

#### **A- PICIC:**

This corporation aims at stimulating promotion of new industries, the expansion of the existing ones and the furnishing of the technical know-how as to increase production.

#### **B- IDBP:**

This bank was setup to provide credit and other facilities for the development of industries. Other institutions are NDFC, BEL, investment trusts, insurance companies and commercial banks.

## **5. PUBLIC DEPOSITS:**

An enterprise can raise finance by the acceptance of deposits from the public directly for fixed terms and at fixed rate of interest. This method is however, dangerous and has declined in importance in recent years.

## **6. PLOUGHING BANK OF EARNINGS:**

This is very easy method of financing and is available to only Established enterprises. re-investment of a part of the profits is an ideal means of financing, expansion and improvements.

## **Short Term Finance**

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A common problem of every business is financing day –to –day operations. Normally business finances these items out of the receipts from sales, but some times the firms financing is needed. It is required for pour hasting raw materials, additional inventory etc. for meeting purposes' .it is required for short period ,generally foe one year .it is needs because of the fact that the stock is to kept ready before it is actually consumed.

### **Sources of Short Term Finance**

The main sources of obtaining short–term loans are as following:

#### **1. Commercial Banks**

Finances are acquired from banks by means of loans, discounts overdrafts etc. they provide short term finance in the shape of discounting bills, granting loans and accepting bills on behalf of their customers.

#### **2. Commercial Credit Houses**

These institutions provide short term finance against mortgage of property or promissory notes.

### **3. Proprietor's Personals Funds**

This is an important source of financing a small business. The proprietors themselves supply the capital of the business from their own pockets. But in large scale undertakings, this source is insufficient.

### **4. Borrowings from Friends and Relatives**

Sometimes business is also finance by taking loans from friends and relatives. Finance from this source is very limited and uncertain.

### **5. Public Deposits**

Some units accept deposits from the public from short period on attractive rates of interest and utilize the funds for their current financial requirements.

### **6. Indigenous Bankers**

There are large number of money lenders i.e. Mahajan, Sahukar, Shroff in the country who provide considerable sums for the business, though at a high rate of interest.

### **7. Land Mortgage**

The financial institutions give loans on short-terms to the business man or industrialists on the security of land and bearable.

### **Foreign Exchange Banks**

These banks also provide short term funds. They mainly provide finance to the foreign business undertaking of their nationality.

### **9. Unsecured Loans**

This type of financing includes:

### ***A) Promissory Notes:***

They are the legal instruments used in advancing banks loans. It is the major source of the short-term finance.

### ***b) Commercial Drafts:***

A draft is an instrument made by one person ordering the second person to pay a sum of money to a specified individual on sight or at a future date. Secured loans: There are times when short term financing may be accompanied by collaterals, which gives the lender the right to seize certain property if the borrower does not repay the loan.

## **10. Secured Loans**

There are times when short term financing may be accompanied by collaterals, which gives the lender the right to seize certain property if the borrower does not repay the loan.

# Filing

## Introduction

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A system of arranging or preserving documents received and copies of letters issued in a proper way is known as filing system. Such a preservation of all the letters and documents enables the businessman to have ready reference as and when needed. Business concerned, big or small, carry correspondence with a number of customers or clients. Such correspondence forms a permanent record of what has happened between the businessman and the customer. Reference of the previous correspondence is to be made for carrying any business activity and also forming new policies to make a business a successful one. Therefore a copy of incoming and outgoing letters is to be preserved and arranged in a systematic way so that they may be easily available without any loss of time. This whole process is known as Filing.

## Essentials of A Good Filing System

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For an efficient filing system it is necessary to have the following qualities:

## **1. Simplicity**

The filling system should be quite easy and simple so that every one in the office and use it with out any technical knowledge. It would be so simple that even an inexperienced employee can use it.

## **2.Safety**

The preservation of the letters is the foremost object of filling system. The letter should be kept in a lock or other device to prevent unauthorized persons to approach the correspondence

## **3. Elasticity**

With the development of business some times it becomes necessary to alter the filling system. Therefore it is essential that filling system should be elastic

## **4.Minimum space**

The space occupied by a filling system should be as small as possible

## **5.Cheapness and Economy**

To avoid any financial pressure the system of filling should be cheap and economical in proportion to the size of business.

## **6.Rapidity of Reference**

Filling of letters should be easy in order to trace the required letter with out any loss of time

## **7.Suitability**

Again the system of filling must suit the requirements of the business in connection with which it is used.The requirements of each business house vary according to the nature and extent of its business and the actual system of filling best suited to it varies accordingly.

## **8.Rapidity of Filling**

The system should be such that the papers could be filled rapidly with out any loss o time

## **9.Accessibility**

The records should be kept in a place and in a manner easily accessible to all. otherwise there is bound to be a waste of time in making references.

# **Various Systems of Filling Letters**

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- I. Wire Filling
2. Pigeon Hole Filling System
3. Flat or Horizontal Filling System
4. Vertical or Upright Filling System

## **I. Wire Filling**

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In this system of filling a hard and thick steel wire is used. The wire is fixed on a small round wooden base and has a sharp point. in this thick wire all the letters are pushed and the wire is hung. it is usually used in small business houses.

## **II.Pigeon Hole Filling System**

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This system requires a wooden almirah containing 24 compartments like pigeon holes. There is usually a shutter in the front of the almirah to protect the letters. each compartment is labeled with one letter of alphabet. the last compartment bears the label of X,Y and Z. this is very old system of filling letters.

## **III. Flat or Horizontal Filling System**

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In this system in an iron almirah, the card board files are flatly, or horizontally kept in a number of holes duly alpha bated . this is a very popular and scientific system of filling letters. this system is a great advancement over pigeon hole system. It is known as flat filling system because of the fact that the letters filled under it are kept in a flat position files are specially designed for use in this system and their different makes are available in the market. The available files can be grouped into the following classes

### **1.The Cardboard File**

It is a primitive form of filling. under this system either the cardboard covers or drawers of specially made cabinets are used, as files .the letters are put upon the cardboard and fastened with the help of a clip.

### **2.The Box File**

This is also not in much use. Here wooden boxes are used as files .the letters are kept flat inside the box in an alphabetic or numerical order. It is used in very small business houses .

### **3.The Arch Files**

This is the most popular form of flat files. A businessman generally keeps a number of flat files according to the volume of correspondence and the system and the system of classification he adopts. If the volume is small , one file may be sufficient ,but if it is large one file may be used for containing the correspondence of a single individual and there will be as many files as correspondents . the letters are arranged date wise. these files may be kept just like books or hung on the walls, or they may be kept in shape of drawers fitted in a cabinet.

### **4.The Shannon Files**

The Shannon file is the best known system of flat filling .this form consists of a filling cabinet containing many compartments in accordance with the requirements of the business .each drawers contains index sheets below which the letters are filled.

### ***SPECIAL FEATURES OF A HORIZONTAL FILLING SYSTEM***

Whatever the make of the flat files, they possess the following special features which should be carefully noted

1. The files keep the letters in a flat position and contain a device for fastening the letters
2. Each file consists of alphabetical index cards which are made of loose stiff sheets.
3. The letters are placed date wise, with the latest letter date on the top.
4. All the letters contained in the file are carefully fastened together.
5. The file may be hung on the wall, or kept in the shape of the drawer in a cabinet or made to stand like a book.
6. When a file is full, the letters are removed to be transferred in binding cases.

### ***ADVANTAGES OF HORIZONTAL FILLING SYSTEM:***

1. The letter filed cannot get out of order or cannot be misplaced or lost as they are fixed on the arches.
2. If at any time, the letter of a particular correspondent is to be removed, it can be done without disturbing the order of other letters.
3. A file drawer may be dropped accidentally, but there is no fear of mixing the letters.

### ***DISADVANTAGES OF A HORIZONTAL FILLING SYSTEM :***

1. Since the letters are fastened together, inconvenience is felt in filling or taking out a letter.
2. The relative slowness in getting access to the letters as they have to be re-shuffled and turned forward and backward to find the required letter is inconvenient.
3. It is absolutely necessary to punch the papers, which makes the system time consuming.
4. Trouble is involved in re-organizing the cabinet to maintain an increasing volume of correspondence.

## **IV. VERTICAL OR UPRIGHT FILLING SYSTEM**

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A still further advancement the art of filling letters is the vertical filling system . It is the most leading method of filling suited to a large concern having innumerable correspondence . The system is called vertical because the letters are kept in a vertical position . It requires a cabinet with deep drawers , folders and guide cards . In this system the letters remain unfastened.

### ***WORKING OF THE VERTICAL SYSTEM:***

The following are the things which are needed for the proper maintenance of the vertical filling system.

#### **1.FILLING CABINET:**

This cabinet contains drawers which are made of wood or steel . The requirement of drawer depends upon the volume of correspondence and nature of the business. Cabinets with locks also provide safety.

#### **2. FOLDER:**

A folder is made of strong paper and is folded in the middle so that the letters can be easily arranged in it. They are usually placed date wise. On the projection edge of the folder is written the correspondent's name, subject etc.

#### **3. GUIDE CARDS:**

Small groups are made in each drawer by sheets having in a tab. These tabs are marked alphabetically, geographically or numerically. The folder are kept behind them according to the mark on the tab.

#### **4. ARRANGEMENT OF THE FOLDERS IN THE DRAWERS:**

The folders containing the correspondence are arranged in the drawers either alphabetically, geographically or numerically. The most common is the numerical arrangement , but sometimes alphabetical arrangement is also preferred thus they may be arranged in the following order:-

*a. NUMERICAL ARRANGEMENT:*

Each folder is given a certain number which is put down on the raised portion of its back. If a folder holds the letters of the single correspondents then all the papers will also carry the same number as that of the folder. If a folder contains documents related to more than one correspondents then the decimal system will be applied e.g. if the folder carries a no. 53 then the correspondents will be numbered as 53-1, 53-2 etc. folders are bearing numbers like 10, 20, 50 and so on inserted in the proper places so that they indicate the position of the various folder of different numbers.

*b. ALPHABETICAL ARRANGEMENT:*

In this folder contains the name of the correspondents on the raised back portion and not the number. Each guide card indicates the initial letters of the correspondents e.g. the letters to and from Mubarak Ali, Mahmud Ahmed etc will be placed together and their position will be indicated by the guide card bearing the letter 'M'. The folders are arranged one after the other according to the first vowel occurring in the correspondents name. the advantage of this system is that it does not need a separate index but it possesses the disadvantage of causing confusion between the customers bearing same names.

*c. GEOGRAPHICAL ARRANGEMENT:*

This is merely a variation of either the alphabetical or numerical systems adopted geographically to meet the requirements of a particular business. One may allot each drawer for correspondence in each province, and guide cards may be put indicating each town. Traders having flourishing foreign trade and big merchants usually adopt this arrangement.

*d. SUBJECT ARRANGEMENT:*

Where the subjects are of more importance than the name of correspondents it is useful to file all papers behind alphabetically arranged subjects guides using tabbed folders for sub- divisions of the subject or individual correspondents.

**5. ABSENT OR OUT GUIDES:** These are cards with ruled columns. When a folder is removed for reference the filing clerk puts an out guide in its place and enters in the ruled columns the particulars of the folder removed.

***ADVANTAGES OF THE VERTICAL FILING SYSTEM:***

- 1. SPEED OF LOCATION:** Speed of location is possible as the system combines admirably with the visible system of indexing. They can be traced out quickly without much effort.
- 2. CONVENIENCE AND CHEAPNESS:** The vertical filing system has the advantages of handling a large volume of correspondence more conveniently and cheaply.
- 3. EASY REMOVAL OF DOCUMENTS:** Access to the folders and to the documents is simple and that is why the removal of documents is easy.
- 4. FLEXIBILITY:** This system is more adaptable in increasing the correspondence.
- 5. TIME SAVER:** The papers need not be punched under this system, therefore it is a time in this respect.
- 6. NO FEAR OF MIXING:** Since the correspondence of one individual is quite separate from others, therefore there is no fear of mixing up of the correspondence.

#### ***DISADVANTAGES OF VERTICAL FILING SYSTEM:***

- 1. DANGER OF LOSING:** Since the letter are left loose in the vertical system therefore, there is danger of losing them.
- 2. INSECURITY:** This system has no security and in case a letter is dropped, it upsets the whole order.
- 3. LARGE SPACE:** This system requires a large space as compared to the flat files.

## **Indexing**

### **Introduction:**

---

Index is simply a list arranged alphabetically showing the required reference. An index to file may be set out in the form of a bound or loose leaf book whereas a separate page or group of pages is allotted to every letter of the alphabet, the field no. being entered against each name. Thus indexing is a system through which the location of the records may be found easily. It may be placed near to the records or may be kept apart from the records or the records themselves may be so arranged as to be self indexing eg . 1 index of a book (apart from the records) and 2. Telephone directory (self- indexing).

# Indexing Equipment

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## **VERTICAL CARD INDEX:**

There are number of card in it and each card deals with one item of the index. On the top edge of the card, reference heading is written. On the remaining part of the card, the location of the item is written, where the self- indexing system is in use, the remaining part of the card contains the record itself. These cards are arranged vertically in a drawer or tray in such a way that they can be used very conveniently for reference to make the function or finding the reference more easily, tabbed guide cards may be inserted at required intervals.

## **STRIP INDEX:**

It is consisted of frame into which strips of stout paper or card can be fitted in any required order and subsequently withdrawn and rearranged whenever changes are to be made. Each strip is devoted on one item of not more than two or three lines. Frames can be made up in various forms to suit different purposes; they can be fixed to the wall made up in book form or where a large number is necessary arranged on a rotary stand which is easily turned to give reference to any desired portion of the index.

## **VISIBLE CARD INDEX:**

This is an index which offers the ready visibility of the strip index and also the additional record space provided by the vertical card index. It consists of series of cards, arranged so as to overlap leaving a strip of each card exposed. This exposed edge is used for the reference heading, the remaining part of the card is readily available for record purpose. The trays in which these cards are kept are fitted with devices which enable the cards to be held in position and yet permit individual cards to be written upon withdrawn replaced or rearranged as may be required. The trays of cards are usually kept in cabinet but as in the case of the strip index frames can be arranged in book form when they make an easily portable record.

## **VISIBLE BOOKS:**

Overlapping visible index records can also be kept in book form. A viable book consist of a loose leaf binder in which paper pages are arranged in a similar formation the cards in visible card index.

### **WHEEL INDEX:**

This is a form of vertical card index in which the cards are arranged about the circumference of wheel set in a cabinet or desk. Thousand of such cards can be attached to one wheel and as many as six wheels set up within the reach of one clerk seated at his desk.

### **STAGGED CARD INDEX:**

This is an arrangement of the vertical card index which has been developed to give easier reference to headings. Cards are arranged in groups and overlapped so that the reference headings on the cutaway concern of a whole group can be seen at once. This system of indexing is sometimes applied to ledger cards to facilitate the extraction of accounts for posting.

### **SLOTTE CARDS:**

The cards are punched with holes along one or more edge, each hole represents a classification or figure in code number. Written information is recorded by hand or typewriting in the centre of the card. The information in term of which it is required to deselected or sort can be recorded along the edge of card by cutting the appropriate holes into slots. Once they have been prepared the card may be filed in trays in any order. To select the card for a particular classification batch of several hundred cards is removed from the tray and a long needle is passed through the holes representing the class required. When the needle is lifted the cards which have been slotted at these holes fall out so separate themselves from the remainder.

## **Inflow and Outflow of Paper**

### **Introduction**

---

Correspondence is of great importance in modern times. Almost each business transaction involves exchange of papers of different kinds and other material, letters orders samples, cheques drafts, bills , government instruction through circulars and official letters invoices and so on. It is therefore imperative that the correspondence department must be vigilant and efficient in disposal off the letters and maintaining

the accurate and complete records of all the papers concerning the commercial transactions.

The correspondence in commercial office had been divided into two categories.

1. Inflow or inward correspondence.
2. Outflow or outward correspondence. Inflow and outflow of papers are guided by the individual requirements and environment or business location and the type of business. They are discussed as below.

## INFLOW OF PAPER

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### **1. OPENING OF LETTER:**

This letters are usually opened in the presence of the general manager of some responsible officer who by quick glance over each letter asserts whether it deals with matters of routine or requires any special notice to be taken. He is particularly watchful of letters which contain a discordant note or complain. Care has to be taken to see that the contents of the letters are properly emptied before the outside covers are thrown away. If the letter is addressed by human name or is marked private it is not opened but is handed over to the person concerned. Remittances received are sent to the cashier for entry in cash book. All the cheques received are crossed and endorsed before being sent to the bank for collection and credit to account.

### **2. STAMPING AND SORTING THE LETTER:**

The letters are then sorted out and marked with the date and time of their receipt noted on each of them; this is done with a view to prevent laziness and irresponsibility on the part of the staff in dealing with the letters. They are then sorted out and batched according to their nature and each is handed over to the person entrusted with the dealing letters of that type. Sometimes each letter is impressed with an identification mark indicating the department which it belongs to. The officers are thus enabled to ensure that prompt action is taken on all the letters by each department and filing is up to date and correct. The letters may also then be numbered for quick reference in the office, if a numerical system of reference is maintained.



### **3. ENTRY IN LETTER RECEIVED BOOKS:**

The letters received are briefly recorded in a letter received book. It records a date of receipt the name of the sender, and the subject of the letter, the departments to which they have been handed over, the manner of their disposal and the reference through which they have been disposed off.

### **4. PREPARATION OF REPLIES:**

The concern department then deals with the letters take any action necessary upon them and draft replies which are forward to officers, for correction and approval, along with the letter to which they are replies. When the draft is approved the officer sends it to the typist and also initials in the last column of the letters received book to indicate that the letter has been dealt with. Officers may also dictate letter to the typist who may take them down in shorthand and then final letter to be dispatched.

## **OUTFLOW OF PAPER**

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It means all those letters invoices, documents etc which are being sent from the office. The outflow paper includes the replies of the letters received by the office as well as the original correspondence done by the office. The outflow correspondence passes through the following stages.

### **1. REPLY OF LETTER RECEIVED:**

The outgoing letters must be prepared with promptness and accuracy and they must be politely worded. They have been described as the silent ambassadors of the business concerns and as such they must have an up to date finish to capture the imagination of the reader. A typewritten letter makes a better impression on the addressees than a hand written letter, since the former is better to look and can be read more easily.

### **2. THE COPYING OF LETTERS:**

It is very essential to have a copy of the letter sent on record for future reference. In case of any dispute this copy would be quite helpful in settling the same. The copy can be obtained by a carbon, press copying machine and in many other ways.

### **3. THE DUPLICATING OF LETTERS:**

The circular letters are to be sent to a large number of firms. In such cases hundreds of copies of the same letter are needed. When these copies are prepared by the help of a machine the same is known as duplicating machines in use which help in the preparation of these copies.

### **4. FILING OF LETTERS:**

The letters received and the replies of the letters sent or a copy of the original letter is to be then filed properly. The files are to be arranged in a systematic manner so that the previous correspondence when required may be found out quickly and easily.

### **5. DISPATCH OF LETTERS:**

The work of sending the letters away from the office is given over to a dispatch clerk. In sending away the letters, he must be very prompt and must also look to the postal requirements in connection with letters which are to be sent through the post office. Neat folding of letters, seeing that the letters are properly addressed and accompanied by the relative enclosures, and making sure that all letters are properly signed by the officers concerned, are matters which the dispatch clerk must look to. He is also required to send away all the telegrams from the office.

### **6. ENTRY IN A POSTAGE BOOK:**

A brief record of all the outflow of papers is kept in a postage book which also serves the purpose of a letter outward book. The dispatch clerk is usually given an advance which he uses to buy postage stamps of various denominations. He uses the postage book to maintain an account of the money advanced to him the postage stamps used by him in dispatching letters.

### **7. USE OF PEON BOOK:**

Some letters are to be sent to the local businessman. These letters are not sent through post but through a peon duty entered in a peon book. The dispatch clerk before sending letters will sort out all those letters separately which are to be sent to the local businessman. He will then make entries of all such letters in the peon book

and hand over the same to the peon who will personally deliver these letters to the addresses concerned and obtain their signatures to the peon book maintains a complete record of all the letters sent locally.

## Labour Saving Devices

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## INTRODUCTION

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There was a time when business used to be small and the total number of employees used to be quite a few. The office appliances were regarded merely as luxury. With the expansion of business, there has been a great development in the use of office appliances and labor saving devices, which have been introduced to save time and manpower. These machines can do the job more speedily, accurately and at lower cost. In fact, they have become a necessity for smooth and efficient working of the office. Labor saving devices can be classified into the following three groups:

A. General Machines

B. Communication Machines

C. Accounting Machines

## A. GENERAL MACHINES

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### 1. TYPEWRITER

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It is a common machine and is used in each and every office, as time and labor saving devices. Through this machine, many letters and documents can be typed with speed and neatness. It can prepare more copies in no time. As the industry

advanced and requirements increased the improvement in typewriting machines have also been made. Noiseless typewriters are used where typists work near executives and other clerks as noise is likely to cause disturbance. Electric power is also used for operating typewriters. Electric machines require less human exercise and can type more copies than the ordinary machines of typewriter. This is more liked by a typist as he gets less tired and maintains his output better than he does by an ordinary machine. Electric typewriters are more expensive and cannot be used in small offices.

## **2. DICTATING MACHINES**

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There are a number of dictating machines but they are all based on same principles on which the gramophone works. These machines record the dictation given by the office executive who can be transcribed by the audio typists and thus, the presence of stenographer is not necessary. These machines however, usually consist of three machines the actual dictating machine, the transcriber and the shaver. The first is used by the person for dictating. The second one is used by the typist and the third machine is used for shaving of the dictated matter. This machine is most useful for secretaries, partners, managers and others who are subject to frequent interruption. With special attachment, the dictating machine can be connected so as to record telephone, messages and by the use of microphones, it can also be used for recording speeches.

## **3. DUPLICATORS**

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When 100 of copies are required the duplicating machines are used. Each class of machine has its advantages and in selecting a machine for use in particular office, these advantages should be given consideration. A variety of duplicators are in use nowadays and few of them are given below;

### **A) SPIRIT DUPLICATOR**

These duplicators can reproduce typewriting, hand-writing or drawings in a variety of colors. A master copy is prepared on a sheet or art paper by means of hectograph

carbon paper. This is the only type of machine which can reproduce in several colors in one run. According to the quality of paper and carbon paper used, 100 to 250 copies can be made.

## **B) STENCIL DUPLICATOR**

These duplicators can reproduce type writing .the stencil is out either on typewriting or by writing or drawing with a special pen. Up to 4,000 copies can be obtained and stencils can be stored and re –used if carefully handled and protected.

## **C) OFF SET LITHO DUPLICATOR**

These duplicators can re-produce typewriting, hand writing and drawing. As in the case of stencil, different colors can be reproduced on the finished copy. Up to 50,000 copies can be obtained from the machine.

## **D) TYPESET DUPLICATOR**

These machines are in fact, small printing press of letter press type. It is a slow method and it also requires some skills to do job. Up to 500,000 copies may be printed.

## **4) ADDRESSING MACHINE**

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This machine is bit different from the duplicators .these machines are generally used for addressing the envelope to the regular clients or for the preparations of labels. These machines are adaptable enough to take the wide variety of other work in the office .These machine are operated by electric power.

In this machine, addresses are embossed on metal plates or are stenciled on specially prepared fiber material. These plates are placed alphabetically or in any other manner. When the actual addressing work is to be done, these plate are placed and passed through the machine, and the address are printed on the envelopes.

## **5) CASH HANDLING MACHINE**

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The work of the cash department can be helped considerably by machines for handling coins. There are machine for sorting out coins of different denominations from a mixed heap of coins and appliances are also available for counting them. There are also machines for giving change quickly. As no mental calculation is necessary, a great saving of time is affected by such a machine where the number of transactions is very large.

## **6) CASH CHECKING MACHINE**

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There are number of appliances which may be used to check automatically the receipts of cashiers. They are usually known as cash registers. Some of them also have arrangement for adding up the receipts so that at any time the machine shows the total cash that should be in be the cash drawer attached to the machine. Some are also so constructed as to issue the receipts to customers while keeping the record for the office.

## **7) FRANKING AND STAMP FIXING MACHINE**

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Franking machine saves a good deal of time in scaling the letters and in getting ready for the mail. This machine makes an impression on the envelopes showing in red ink the amount of the postage and the place of origin and date of posting. No postal stamps need to be used. The machine have matters attached to them and they are locked and sealed by the postal authorities to frank up the amount after which the machine gets automatically locked. Some of these machines also have an automatic envelope scaling device. Some business houses have the stamps affixing machine which are fed with postage stamps, and there are devices to cut the stamps off, to moisten and affix them and to count them.

## **8) TIME RECORDING MACHINE**

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These machine records the time of arrival and departure of the employees of he office. These type of machine is used in the office where payment are made on the basis of time spent on the job. This machine is like a clock and when the employee

enters the office he cuts card in the machine which prints the time. Similarly when he goes out, further he cuts the card in the machine and departure time is printed on the card.

## **B) COMMUNICATION DEVICES**

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### **1) TELEPHONE**

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The use of telephone is so common and all its importance is so well known that it does not need further explanation. It is maintained by high business houses internally and externally. Internal system enables the executives of same organization to talk to each other on telephone whenever they need so. External systems enables them to talk outside parties. Every city is linked by telephone system so that through trunk call any one may have talk anywhere in the country with the required person.

### **2. RADIO-TELEPHONY**

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It is a system which link by telephone mobile vehicles in city or may be in an area. This system is in advance countries. Under this system mobile units such as cars, vans, etc can control each other on radio-telephony through the central station located in the city.

### **3. PUBLIC ADDRESSING SYSTEMS**

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In big factories, shops and offices this system is a useful means to give instructions to all of the employees or only those particularly concerned with any special instruction. This system has an advantage of quick communication of message to the concerned persons but it has also the disadvantage of distributing all of the employees while instructions are concerned with any particulars employee.

## **C. ACCOUNTING MACHINES**

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### **1. ADDING MACHINES**

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After typewriter, adding machine is perhaps the most commonly used machine in office routine working. Adding machine is basis for all further calculations. These machines are of two type: listing and non-listing. These machines have following advantages:

1. Cross-casting is much further faster. Most clerks, unless they are very highly skilled, cannot add horizontally with the same speed as they can add vertically.
2. Selected items can be added from different documents or from scattered positions in one document.
3. Less skill and concentration are required by the clerk.
4. With the aid of adding machines, junior clerks can add with speed and accuracy equal to or exceeding that of a skilled clerk.

## **2. CALCULATING MACHINES**

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In a large business there is a lot of calculation work, in order to assess the position. In calculation various forms such as addition, subtraction, multiplication and division are involved. There is likelihood of accounting mistakes, and takes more time in corrections. Keeping in view both the important factors time as well as accuracy nowadays the calculation work is carried on through calculation machines. With the help of calculating machines addition, subtraction, multiplication or division can easily be made with accuracy and without loss of time. Apart from this with the help of said machine the problems of exchange, discount etc. can be solved with great accuracy. It does not require any special training to operate the machine, the mistakes can only occur when the machine in question is not properly handled or when out of order.

## **3. POSTING MACHINES**

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Posting means the transfer of amounts from original entries to the appropriate ledger accounts. Accuracy of entries and easy to read are the most important requirements of this function. These machines play an important role in maintaining the accuracy.



#### 4. ELECTRONIC COMPUTERS:

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The computers operate at the fastest speed which ever is thinkable by human mind, because these machines do not depend on mechanical movements but on electronic pulses with duration of about one millionth of a second. Computers are able to perform the following functions:-

1. Receive a programme of orders representing the routing to be carried out, store this and refer to it as may be required.
2. Take in original information through one or more input channels and store it for reference as required by the programme.
3. Perform any arithmetical calculation as and when required by the programme.
4. Store the result of any calculation for further reference and accumulate totals as required by the programme.
5. Select any information from the store, arrange it in any required sequence and discharge it through one or more output channels to be printed punched into cards or paper tape, or recorded on.

Apart from computer speed, the principal characteristic of electronic computers is their flexibility as would appear from the following:-

1. They can be made to carry out any electrical operation only by feeding in the appropriate orders.
2. They can proceed from one kind of operation to another automatically.
3. They can automatically select alternative courses of action according to the nature of the data received or the results of previous operation.

## Importance of Advertising

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## DEFINITION

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***“Advertising is an art of providing market information through the various media of communication such as magazines, newspapers, television, radio etc. at the expense of the company for the purpose of increasing or maintaining effective demand and making easy the sale specific goods and services.”***

## PURPOSE OF ADVERTISING

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The purpose of advertising is:

- 1) to enable the public to know the features and uses of the products and overcome traditions and prejudice that may reduce competition.
- 2) to make easy and increase the sale of present products, to maintain consumer's awareness, to bring it equal with advertisement of competing firms and to reduce the amount of personal sales efforts required to receive an order.
- 3) to introduce a new product model of service in the market.

## MEDIA OF ADVERTISING

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Media means the source in which the advertisement appears. It is a singular as well as plural term. Various types of advertising media are explained as under: -

### A. RADIO

Today radio has become very important and can be utilized for advertising the goods which are sold either within the country or all. Today's commercial services of radio Pakistan are becoming very popular day by day .but life of this advertisement is very short .

## **B. MAGAZINES**

Magazines can be used for the products which are sold out all over the country .this type of advertisement is not flexible as changes cannot be made in the advertisement copy easily it is becomes the copy of the advertisement is to be submitted to the advertising company 4 to 5 weeks earlier.

## **C. NEWSPAPERS**

These newspapers which are daily or weekly are used for advertising the goods of local businessman . a newspaper has a very short life as it is destroyed usually after a period of 24 hours .

## **D. MEAN SIGNS**

It means advertisement through bulbs . this type of advertisement media is becoming popular day by day in big cities of Pakistan like Karachi ,Lahore and Rawalpindi.

## **E. ADVERTISING BY POST**

Small firms advertise their products through letters ,postcards ,catalogue etc.

**F. ADVERTISING BY TELEVISION** This type of advertisement delivered through a television is a combination of spoken words and visual presentation of products and their benefits .

## **G. DIRECT MAIL**

It is widely used and includes postcards ,letters, catalogues, folders, booklets etc. they have variability of coverage .large and small business both can use it. basis of this kind of advertising is mailing list .this list which has the names of the persons to whom the letters are sent is compiled from time to time from many sources . It needs utmost care and up to datedness. This list can be made extremely selective regarding geographical and consumer interest .It is costly because of printing. Postage ,typing and packing.

## **H. CAR CARDS**

They are used in street cars , buses , subways and rail road cars where they may be seen by people on the way to shopping trips etc. They are effective for all i.e national ,regional and local advertising .They are flexible and reached the people to whom the magazines don't reach.

## **I. PACKAGES ,LABELS AND INSERTS**

Advertising copy on package must be brief and should have pictures and brand name , qualities , companies name etc. Some are bottles and some are board packages.

## **J. WINDOW DRESSING**

Usually big shop decorates there windows of shop so as to attract customers. This is also one of the media of advertising. The window is dressed in such a way that it may attract attention of the buyers.

## **K. SAMPLING**

Some firms distribute there products free of cost so as to advertise its product to secure sales volume in future.

# **ADVANTAGES OF ADVERTISING**

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1. It creates demand for a new article by arousing interest of the public.
2. It increase the sales volume of establish articles constantly keeping the selling points afresh in minds of the customer.
3. It educates the general public about new use or uses of a product.
4. It reduces competition.
5. It creates goodwill by continues reminder to the public about the trademarks etc.
6. It increases additional sales by encouraging present customers in using the articles more frequently and in increased quantities.
7. It facilitates the job of the salesman and dealers by introduction the products to the public.

8. It reduces prices as the production volume increases, which in turn reduces the overhead expense.
9. It insures better quality, improving the quality of goods to have better appeals to the customer.
10. It increases the employment because production increases.

## DISADVANTAGES OF ADVERTISING

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1. It results sometimes in exaggeration ( over-valuation) and misrepresentation. Such advertisement misleads the public and loses the confidence of the public in the enterprises.
2. It expands the market for the articles of luxury and comfort, because the goods which are needed to meet primary needs of life are not usually advertised.
3. It causes economic loss due to rapid changes in style creation of new objects of consumption and changes in style are waste and determinate to human good.
4. Advertising is impersonal and cannot answer the question asked for by the buyers.
5. It results in monopoly through brands.

## IS ADVERTISING A WASTE?

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It is not a waste at all. It is an aid to business expansion. Advertisement help buyers who usually do not know or are really aware of the existence of the seller. It expands the sellers market by spreading information about the product. Some people say the advertising increase the cost of production which is to be borne by the customer. It is completely wrong. It creates new demands of commodities and the service which lead t a production on large scale and when the production increases the cost of advertising is not waste but brings gain in the business.

## DIFFERENCE BETWEEN ADVERTISEMENT AND PUBLICITY

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## **ADVERTISING**

1. Some definite message is communicated.
2. It is paid form of publicity.
3. It is non personal.
4. Its sponsor is known.

## **PUBLICITY**

1. It is generally done in form of news, articles, features written in newspaper.
2. No direct payment is involved.
3. It may be personal.
4. Its sponsor is not always known.

# **Middlemen and Their Different Kinds**

## **INTRODUCTION**

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***“ A business concern that is specialized in rendering services immediately involved in the purchase or sale of the goods in the process of distribution is known as middle man.”***

There term middle man included all those who operates between producer and consumers. They function in buying and selling if the commodity. The wholesalers and retailers are middleman dealing in the ordinary function of buying and selling. There are other such as brokers. Commission agents, dealers and merchants who assist the buyers ans sellers in the market.

## **KINDS OF MIDDLEMEN**

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Some of the middle men are explained as follow

### **1. BROKER:**

A broker is an agent involved to buying and selling on behalf of principal for a commission. He does not hold any stock nor deals with his own name. his function is only to negotiate and make contract of sales and purchases on behalf of others. He

is paid for his labour called as brokerage. There are different classes of brokers. They are produce broker, stock broker, insurance broker and ship broker.

## **2. FACTOR:**

He is an agent whose function is to receive goods from his principal for sale in commission. He can sell goods in his own name, pledge goods in his own possession receive payments and gives receipts. He is liable on contract of sale he enters into on behalf of his principal. A factor is also called a consignment broker.

## **3. COMMISSION AGENT:**

He acts on behalf of foreign importer. His function is to buy goods on behalf of client abroad and to dispatch them in accordance with the instructions. He receives a commission for his service.

## **4. UNDERWRITER:**

They enter into agreement with promoters of newly started company which have not been taken up by the public. For this guarantee they are paid commission known as underwritten commission.

## **5. DEL CREDERE AGENT:**

He is an agent who in consideration for extra remuneration called del credere commission. Guarantees to his principal that the third person with whom he enters into contracts shall perform their obligation. Thus such an agent guarantees to his principal that he will only sell to person who will pay for what they buy and if the buyer does not pay, he will pay.

## **6. TRAVELLING AGENT:**

Sometimes wholesalers appoints number of agents who goes from place to place , show catalogues, price lists etc. to retailers , book orders and forward them to their principals who executes them. They receive their commission in return of their service.

## **7. SELLING AGENT:**

Sometimes wholesalers and manufactures appoints certain shop-keepers in different parts of the country as their selling agents. These agents receive commission on all sales in addition to the expenses which they have incurred on behalf of principal.

#### **8. AUCTIONEERS:**

An auctioneer is an agent who sells goods by auction ie to the highest bidder in public competition. He has no authority to hold the goods sold and can deliver the goods only on receipt of price. He is the agent of the vender.

**9. FORWARDING AGENT:** This is the type of agent who is engaged in forwarding the goods to there destination on certain charges.

#### **10. CLEARING AGENT:**

This agent is involved in clearing the imports on behalf of their principal. The duties include taking the delivery of the goods from the ship and attending to custom formalities for certain commission.

## **DISTINCTION BETWEEN FACTOR AND BROKER**

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### **Factor**

1. He has the possession of goods or documents which entitle him to the possession.
2. He carries out the trade with his name.
3. He is himself liable in respect of the contract of sale.
4. He receives payment from the customer and gives him discharge.
5. He has lion in respect on goods in respect of his commission. Broker

### **Broker**

1. He has no possession of the goods which he sells.



2. He brings together both the parties to a transaction. The sale is made in the name of the principal.
3. He is not liable in respect of such contracts.
4. He does not receive payment of the value of the goods from the customer and cannot give his discharge.
5. He has lien on goods.

# Chamber of Commerce

## Introduction

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Chamber of commerce and industry is a voluntary non-trading association of persons who are directly or indirectly connected with commerce and industry. Its purpose is to promote trade and business and protect the business interest of its members. Thus, only the businessmen, industrialists, bankers and professional men like accountants, auditors are entitled to be members of the Chamber of Commerce. The Chamber of Commerce is organized on regional basis. The businessmen of a particular area form such organization e.g. Karachi Chamber of Commerce, Lahore Chamber of Commerce, Peshawar Chamber of Commerce.

Chamber of Commerce may be formed under Companies Ordinance as a Joint Stock Company or under Trade Union Act. Usually, the liability of the members is limited by guarantee. The members pay an annual fee to the Chamber of Commerce. Generally Chamber of Commerce and Industry is governed by a board of directors and a president. The board appoints a secretary who is responsible for discharging all the work of the organization. He formulates the program, holds the meeting and manages the office.

## Functions of Chamber of Commerce

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1. It helps to develop trade and industry of a country and looks after and protects their interest.
2. It collects all sorts of information concerning commerce and industry and maintains numerous records which are necessary in connection therein.

3. It issues reports and Journals at regular intervals full of information regarding commerce and industry for its own members as well as for the general public.
4. Advisory services on labour practices and disputes are provided.
5. It helps the members in recovering debts.
6. It provides trade reference information about financial status of its members.
7. It protects trademarks and patterns and thereby encourages the cause of national commerce and industry.
8. It acts as arbitrator in case there is any dispute between businessmen.
9. It helps the exporters and importers by furnishing information of various natures in connection with import and export.
10. It issues export certificate and certificates of origin which are very common instruments in international commerce.
11. It advances commercial and technical education in the country.
12. Nowadays, an active part is played by the Chamber in influencing economic policy of the government. It examines the budget every year and suggests appropriated modification in the tax proposals.
13. It invites the attention of the government and public on matters affecting trade, commerce and industry of the country.

## Co-Operative Society

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## INTRODUCTION

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Co-operative society is voluntary association of small producers or consumers for their mutual benefits. It is formed for producing and supplying goods in accordance with the needs and requirements of the member who compose it. The members

form and carry on the business of co-operative societies themselves. They are the owners, workers and managers of the society. They have democratic control over its organization and management. It is formed for the purpose of achieving economic, social and educative benefits. Profit making is not the main aim of such organizations. Its aim is to eliminate the services of middlemen. It brings benefits for the welfare of the members with the help of applying the principles of all for each and each for all into practice. Its success depends on how much mutual co-operation in between the members has been developed.

## **CHARACTERISTICS OF CO-OPERATIVE SOCIETY:**

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The following are the main features of the Co-operative society:-

### **1. OBJECT:**

Its main aim is to bring mutual benefit to the members who compose it. Money making is not the main aim of the Co-operative Society. The Society looks after the welfare of the members. It aims producing and supplying goods to meet requirement of the members.

### **2. CAPITAL:**

It collects capital from the members. The members purchase shares in the cooperative society and provide necessary capital to it. The cooperative society is divided into fix number of shares. To become a member of the society one must purchase at least one share.

### **3. MEMBERSHIP:**

There must be at least 15 members in a cooperative society. But one cannot become a member of the society unless he attains the age of maturity.

### **4. DEMOCRATIC PRINCIPLE:**

The cooperative society is based on the principle of democracy. Every member enjoys rights. Everyone has got only one vote. Policies of the society can be criticized by

the members. So the members have a democratic control over the affairs of the society.

#### **6. TRANSFERABILITY OF SHARE:**

The shares of the cooperative society can be transferred to the members of the society. They cannot be transferred to nonmember.

#### **7. DIVISION OF PROFIT:**

Although it is not the main idea of the cooperative society to earn profit at any cost yet it often earns a handsome profit. The profit of the society is distributed to the members on the paid up capital but the profits of the consumers cooperative society are distributed in proportion to their total purchases during the trading period.

#### **7. ENTITY:**

The cooperative society has a separate artificial entity. Thus its entity is independent of the members.

## **ADVANTAGES OF COOPERATIVE SOCIETY**

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#### **1. ELIMINATION OF MIDDLEMAN:**

The consumers get their requirements direct from the producers or they supply their own requirements. hence the cooperative society eliminated middleman and makes the goods available to the consumers at cheaper rate.

#### **2. ECONOMY:**

Certain economies can be enjoyed by the members of cooperative society in the field of production and distribution. The society has not to bother from marketing the goods. the members are its regular customers and it need not advertise its good in the market.

#### **3. CAPTURE MARKET:**

The cooperative society sells goods at a cheaper rate. hence it can easily attract a good number of customers.

#### **4. NO SURPLUS STOCK:**

The society has got regular customers so it has not to keep any surplus stock in hand.

#### **5. SAVING OF MANAGEMENT EXPENSE:**

Sometimes the members render free services to manage the affairs of the society. They do not demand any remuneration.

#### **6. EDUCATIVE VALUE:**

The members are able to learn the principles of cooperation. They learn how to render services for the mutual benefits of themselves. They learn about economic and social aspects of human life.

#### **7. PROVISION FOR THE MAINTENANCE OF THE POOR:**

Poor people accumulate and invest their small saving in the society which brings for them a better standard of living particularly it increases the income of agriculturists and the people who have been engaged in small and cottage industry.

#### **8. SOCIAL BENEFITS:**

It develops self-confidence and self-reliance among the general people. They learn the principal 'Self-help is the best help'. At the same time it develops them a sense of cooperation and sacrifices.

#### **9. PROVISION FOR EMPLOYMENT:**

It solves unemployment problems of the under developed countries. People find employment in small and cottage industries to earn their livelihood.

#### **10. INTEGRATION:**

Under this system of production and distribution a complete integration between the manufacturers wholesalers and the retailers is possible.

## **11. EQUAL DISTRIBUTION OF WEALTH;**

Under the system of production and distribution wealth cannot be concentrated in few hands. Equal distribution of wealth takes place under this system.

## **12. EQUAL STATUS:**

There is no master servant relationship in between the members of cooperative society. All are the owners managers, and workers of the cooperative society.

# **DISADVANTAGES OF COOPERATIVE SOCIETY**

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## **1. LACK OF CAPITAL:**

It suffers from lack of capital because it is an organization of poor people. They cannot afford large amount of capital so they cannot afford to expand the size of the business.

## **2. LACK OF INTEREST:**

As the market for the products of cooperative society has been guaranteed so the organizers and managers do not pay keen interest in the management of cooperative society.

## **3. LACK OF EFFICIENT PERSON:**

It fails to accommodate men of talent, skills and initiative because it requires free services from them. Such people may not be interested to join the cooperative society.

## **4. LACK OF COOPERATION:**

It requires cooperation and selflessness and other facilities which are rarely found in the general people. There is no scarcity of mean minded people living within individuals of the society. The society remains for its success.

## **5. UN-EDUCATION:**

Most of the members of the cooperative society are uneducated and unskilled. So the management of the society may fall in the clutches of selfish people.

## **6. FREQUENT CHANGE IN DEMAND OF GOODS:**

The cooperative society cannot be carried on successively in the fields where the demand for goods changes frequently.

# Salesmanship

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# INTRODUCTION AND DEFINITION

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Advertising and salesman are two aspects of the marketing goods and services. Salesmanship is the basis of all trade, the first and last object of which is to market goods and services to the mutual profit and tasting satisfaction of buyers and the sellers. This service is essential for the producer. The distribution of goods as personal or impersonal of assisting the prospective customer to buy a commodity or service. As salesman has to sell ideas; ideas of beauty, of health, of economy, of prosperity, of service etc. the salesman therefore must know not only the details of

his commodity but also know human nature so as to lend his customer to accept his ideas.

## QUALITIES OF A GOOD SALESMAN

### 1. EDUCATION:

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He should be an educated person, and should have studied the subject of salesmanship so as to know certain essentials connected with this field.

### 2. COURTESY:

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He should respect his customers, and should not become angry even if his customer gives the lowest offer.

### 3. LOYALTY:

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He should show the customer that he is the well-wisher of the customer and wants to give him the article which is best suitable for him.

### 4. ATTENTIVENESS;

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He should attend to his customer in a nice way and should show the articles which he needs.

### 5. TACT:

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He should have the tact to attract customers either by calling or by his motions and should be able to show the goods tactfully which his customer needs.

### 6. HONESTY:

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He should be honest with his customer and should make the customer known the prices which are reasonable.

## 7. IMAGINATION:

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He should have the capability to imagine the things which his customers want.

## 8. POLITENESS:

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He should be polite with his customer and should talk with him such a way so as to show that he is his well-wisher.

## 9. CHEERFULNESS:

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He should have a smiling face and should never make his customer fearful. Cheerfulness makes the customer friend of salesman.

## 10. PATIENCE;

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A salesman should always be patient and should always think in term of progress.

## 11. CHARACTER:

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He should have a sound moral character and should not commit such fruits with male and female customers which may dis-name his organization i.e he should not be corrupted.

## 12. BEHAVIOUR:

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He should think that customer are his masters, which is usually thought of by a good and reputed salesman.

## 13. PERSONALITY;

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He should have attractive personality because it helps him in convincing the customers and affecting sales.

## CORRESPONDENCE

Letters are usually classified as

1. Private for correspondence between the friends and relative.
2. Commercial or business for correspondence between traders , bankers , financiers, merchants, manufacturers and agents.
3. Official

For correspondence between and national and local public bodies and their correspondence concerning the government and its various form of administration.

## BUSINESS LETTERS

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It refers to the letters entering into business transactions. Modern businessman has to write a large number of letters. The larger the business the greater is the volume of correspondence.

### **MECHANICAL PARTS OF BUSINESS LETTER ---**

A business letter consist of following parts:

#### **1. HEADING**

It is sort of advertisement and that is why they are set up in a very attractive ,manner. The heading is printed at the top pf a letter paper. It should be compact and well arranged. It should consist of printed names and address of individual firms company or corporation sending the letter. The telephone number, telegraphic address, codes used, date and reference number are also given with the letter head.

#### **2. INSIDE ADDRESS**

It is the name and address of the party which is being address. It should be exactly the same as the outside address on the envelope. The name of the person or the firm used is an inside address must have proper courtesy titles. The common prefix for a man is Mr. if a person hold a degree or a title it must be added to his name such as Dr. Khan., if a person holds a university degree, it will precedes his designation as Mr. Raus-UL- Hasan M.Com, M.A, S.E.S.

### **3. SALUTATION**

This is the compliment or greeting preceding the body of the letter. It would always be in harmony with the personal relations of the writer except in care of official letters which invariably have Sir for situation. The most common forms of salutation in a commercial letter are Dear Sir when addressing one gentle man, Dear Sirs for a firm or company.

### **4. THE BODY OF THE LETTER**

The entire letter is to be divided into suitable paragraph which ius not only the question of appearance but giving the reader breathing times. Each paragraph should contain one topic. The correspondent should commence a new paragraph whenever he switches on a new topic. The introductory paragraph should be very carefully written. In subsequent paragraphs the discussion should continue dealing with the main subject matter of the letter. The last paragraph should be written in good spirit.

### **5. COMPLEMENTARY CLOSE**

It consist of words of respects like “ Yours faithfully” , yours sincerely etc.

### **6. SIGNATURE**

The writer of the letter has to put down his signature in ink just below the complimentary close. A letter without signature is unauthentic.

### **7. DIRECTORS AND STENOGRAPHER'S INITIAL**

These initials are usually placed in the lower left hand corner of the letter. These are put down with a view to hold the persons responsible. The usual method of writing is thus;

### **AS/HK**

The letters AS indicates the initials of the person and HK of the typist.

## **8. POST SCRIPTS OR PS:**

If due to some after thoughts the writer wants to add something after the completion of the letter he puts down PS and after that writes down what ever he wants. PS should also be signed by the writer.

## **9. ENCLOSURES:**

If the letter is sent along with the documents, it should be indicated by writing about the enclosures on the left hand at the bottom corner of the letter paper.

## **ARRANGEMENT OF THE BUSINESS LETTER**

	(1) Heading	
(2) Inside Address (Place and Date)		
(3) Salutation		
	(4) Body of the Letter	
First Para ----- -----		
Second Para ----- -----		
Third Para ----- -----		
		(5)
Complimentary Close		
		(6)
Signature		
(7) Enclosures		
(8) Stenographer's Initials		
(9) Post Script		

## **CHARACTERISTICS OF BUSINESS LETTERS**

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A good business letter is the one which achieves the object for which is being written. Some of the essentials to make a business letter effective are given below:

**1. CLEARNESS:**

It must be so lucid that the subject is clear, even at rapid reading. As it is not possible for the busy business man to give much time on reading. This can be achieved only when the writer understating the subject and has command on language.

**2. ACCURACY OF STATEMENT:**

Whatever is written must be correct. There should not be any incorrect statement. Special care is to be taken in writing amounts.

**3. COMPLETENESS:**

It should be complete in all respects so that no information is e.g. order for goods must give quality, price, mode of carriage, methods of payment etc.

**4. COURTESY:**

All correspondent are o be treated ad gentlemen. It does not mean humility. What is required is honest , frank and straight, forward statement of facts worded in polite and courteous language. Special care is to be taken when drafting dunning letters of complaint.

**5. BREVITY OR CONCISENESS:**

The letter should be as short as possible in view clearness, completeness and courtesy. Brevity should not be at the expense of completeness. There is no place for flowery language in business letter.

**6. SOURCEFULLNESS:**

The letter must be effective convincing and impressive. These are the days of competition and many times it depends on a letter that business is created and goods sold.

**7. NEATNESS AND DISPLAY:** The letter must be clearly written or typed, properly folded and put into proper size envelope.

### **8. ORIGINALITY:**

Age long phrases are not to be copies but the writer should try to be original so that he is able to assert his individuality. American writers and businessmen has been first to discard old and ancient ways. A letter is written in original fashion will soon attract the attention among thousands in stereotyped manner.

### **9. UNITY:**

Clearness of letter depends to great extent on its unity or oneness. One thought should naturally follow another and each sentences must show proper arrangement.

## **VARIOUS TYPES OF LETTER**

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***Wanted accurate typist preferably knowing shorthand at salary of Rs.250/- per month. Hand written application with testimonial to be addressed to CIBA (Pakistan) Ltd., P.O.Box no. 63.-“Dwan dated 27th December, 1974”.***

The manager,  
CIBA (PAK) Ltd.,  
P.O.Box No. 163,  
Karachi.  
Sir,

In response to your advertisement in dawn of 27th December, 1974, I wish to apply for the post

of typist advertised by you.

I passed the intermediate commerce examination in 1969 from the board of secondary education,

Lahore getting distinction in the steno-typing and was placed in the second division.

I was employed by M/s. Ali Automobiles, Ltd., Lahore in 1970 as a stenotypist which company I

have been serving since then.

I easily type 50 words per minute quite easily neatly and accurately and my speed in shorthand

is 120 words per minute. I am drawing Rs. 175/- per month and my relation with my present employers are quite happy. But they are unable to offer me attractive prospects that are why I am applying for the post.

I am young man of 25 years of age and possess a robust health. I have active and sober habits.

I enclose two copies of testimonial. I am also pleased to refer you my present employers.

I shall be glad to come for interview when convenient to you.

You're respectfully,

Mohammad Ali.

Encl :2

Habib Vila,

Lawrence road,

Lahore,

January 1, 1973.

***Statement of qualification and experience***

NAME.....Mohammad Ali

AGE AND HEALTH.....25 years and possess a robust health

EDUCATIONAL QUALIFICATION.....Passed high school examination from government model school, Lahore in 1968, with commerce and typewriting as optional course, passed intermediate examination of Punjab board in second in the year 1070 with shorthand and typewriting as optional object.

EXPERIENCE.....Since 1970 I am working as a stenographer with m/s Ali automobiles Ltd. Lahore.

PRESENT SALARY AND REASON FOR LEAVING JOB ..... Drawing a salary of Rs.2700/- per month and have very good relations with employers. Leaving the service for better future prospects.

REFERENCE ..... Reference may be made to M/S ALI automobiles Ltd.Lahore.

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## **APPOINTMENTS**

CIBA (PAKISTAN) LTD .chemists and druggists

I.I Chundrigar road,

Karachi.

25th January ,1975.

MR.Mohammad Ali

Habib Vila

Lawrence road,

Lahore.

Dear sir,

We have your application of 1s t January,1975 for the post of stenographer. We are glad to



inform you that we have decided to appoint you as stenographer in our firm on a salary of Rs.350/- per month. Please let us know by return post when we may expect you to join us.

Your's Faithfully,

CIBA Pak Ltd.

PAKISTAN CHEMICAL INDUSTRIES

5, New Queens Road,

Karachi

January

Hassan ahmed Chemicals,

Purani anarkali'

Lahore.

Dear sir,

Having some prospects of concluding substantial business with the firm mentioned on the

slip attached below, who have given us your reference, we write this letter. As the firm in question had no previous business dealings with us , we are not aware of their financial status ,business conduct and the reputation of the persons controlling the firm.

We shall be pleased to learn if you deem them worthy of a credit upto Rs.10,000.

We thank you in advance for any information with which you can favour us as to the

solidity of the firm and we assure that the information supplied b you will be kept strictly confidential and we would be glade to place ourselves at your service in similar matters.

Yours faithfully ,  
Pakistan chemical industries.

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### **REPLY**

Dear sirs,  
Today we received your enquiry about the standing and financial position of messes. Noorani

&Co, of your city. We are glad to say that we can give you nothing but favorable reply as we have dealt with the team to last five years and have never experienced any difficulty in recovering our dues . they have considerable amount of capital and have never known to have sufficient losses .

We shall have a no hesitation in according them the credit mentioned by you .however this is

without obligation on your part and hope this information will serve your purposes .

faithfully  
Yours  
Ahmed Chemicals

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### **ORDER LETTER**

EASTERN CARPET HOUSE CARPETS & DARI MERCHANTS

|M.A |Jinnah

Road,

Lahore.

20th

January, 1975

Modern Carpet and Dari house ,

Carpets & |Dari Merchants ,

M.A Jinnah Road ,

Karachi.

Dear sirs,

We thank you for quotations dated January 4, 1975 and shall be glad if you will send us by good train as early as possible the following :- Carpet as per sample No .213\_ \_ 20'X15' \_ \_ 4 pieces Carpet as per sample No .312\_ \_ 20'X20' \_ \_ 3 pieces Please send us the Railway Receipt properly endorsed in our favor and drawn up our bankers Habib Bank Ltd . Abdullah Hoaroon Road Branch for the invoice value after deducting 2% cash discount .

We trust this will receive your immediate attention as we are much short of stock at present

and have large outstanding orders .

Yours faithfully

Eastern Carpet House

DIAMOND SILK HOUSE

Silk Merchants

Cloth Market , M.A Jinnah Road ,

Karachi.

The Chief commercial Manager,  
Pakistan Western Railway ,  
Lahore.

Dear sirs,

We took delivery this morning of ten bales of cloth consigned to us by Massrs. lyallpur, silk mills Ltd, lyallpur , as per R/P No.42072 dated January 5, 0976. two of the bales bore distinct evidence of having been tempered with in transit . we noted down this fact on the Railway Receipt while surrendering it to the |Railway authorities at Karachi.

We find that hundred yards of printed silk has been removed from both the bales . our

estimate of damage is Rs . 1,000/\_ . we are enclosing a copy of the invoice and the certificates given by the Staten |Master , Karachi , in whose presence we opened the bales .

We request you to please accept our claim promptly.

Your faithfully | Diamond silk House.

MOHD . RAIZ MOHD SHAFI  
EXPOTETERS & IMP[OTERS

32, I .J chundrigar Road, Karachi.  
Messrs .Ramzan Bros.,  
5, M.A Jinnah Road ,

Lahore.

Dear sirs,

We have to bring to your notice a change in the constitution of our firm . Mr.fazal raza, our valued partner has been serving from ill health for the last 12 months and he find him selves unable to take up the responsibilities of an active business carrier. He has , therefore decided to retrieve from business from the 1st march 1975. we are really very sorry to lose his valuable partnership but consideration of health do not permit us to force him to continue shouldering the responsibility. We are , how ever , glad to inform you that we have arrange to take Mr. Muhammad Shafi who is the man of wide experience and fixed well for a business like yours. Further more his inclusion into business will enable us too continue the present policy of business to cause a large increase also.

In order to settle all matters in connection with the old account we have reconciled accounts on the 20th instant and shall be glad if you will please forward us a cheque of Rs. 59/- only for the amount due on you.

Hoping to receive your immediate attention.

Yours faithfully

Mohd. Shafi.